

JPRS-CAR-92-003  
3 FEBRUARY 1992



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# ***JPRS Report***

# **China**

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### Government Employee Benefits Differences Noted

92CM0019A Shanghai SHEHUI (SOCIETY)  
in Chinese No 9, 20 Sep 91 pp 13-15

[Article by Jiang Jixing (5637 4949 5281): "Income Disparities in 'Plain Water Yamens'"]

[Text] Party and government organizations are often called "plain water yamens," which refer to the low income and impoverished conditions of party and government employees. Although these "yamens" are at the highest levels of local organs of power, their employees have always had the lowest level of income. This has long been a generally recognized fact. However, reflecting the growing problem of unfair distribution of wealth in society as a whole, the differences in income within party and government organizations are also becoming increasingly obvious and causing growing concern among the vast numbers of party and government cadres. For this reason, the writer recently made a survey of the incomes of employees of party and government organizations (including some other institutions) at the municipal, county, and township levels in Qinhuangdao City in an attempt to study and analyze the findings.

#### 1

As seen from the realities in Qinhuangdao, besides regional differences, there are major disparities in income distribution between different departments within the party and government system, for example, departments under direct party or government control and those having jurisdiction over enterprises or establishments, departments with income derived from fines and confiscated goods, departments controlled mainly by central ministries, and establishments with self-generated income. Specifically, there are three kinds of disparities.

#### 1. Disparities in "overt income."

"Overt income" refers to the visible total wage income, including wage, bonus, and various allowances. According to the present wage system, and if only wage is taken into consideration, the individual income of party and government employees on the whole differs very little from person to person. But the per capita total wage income differs considerably between different departments. According to the survey and analysis of pertinent data, in 1990, among 10 different types of departments under party and government organizations (including some other establishments) in the city, the financial and postal and telecommunications departments had the highest income level with a per capita annual income of 3,055 yuan; the second was the industrial, commercial, and tax departments, with a per capita annual income of 2,855 yuan; the third, departments of the public security system, 2,752 yuan; the fourth, urban construction management departments, 2,415 yuan; the fifth, commodities, grain, and materials supply departments, 2,402 yuan; the sixth, scientific, educational, cultural, sports, and public health departments, 2,384 yuan; the seventh,

industrial and transport administrative departments, 2,355 yuan; the eighth, agricultural, forestry, animal husbandry, fishery, and aquatic products departments, 2,272 yuan; the ninth, departments under various parties and mass organizations, 2,266 yuan; and the 10th and the lowest, departments directly under party and government organizations, 2,246 yuan. The last was more than 800 yuan below that of the financial and postal and telecommunications departments which had the highest income level. The gap was even wider when compared with some units in the same city but under central or provincial control, such as the harbor bureau, customs, and power bureau, whose employees were making twice as much or even more in some cases.

Besides types of work and seniority, the gap in per capita total wage income between different departments is caused mainly by two factors:

The first is difference dictated by wage policies. For example, as stipulated by relevant policies, the wages for employees of public security departments are 15 percent higher than those of equal grades, seniority, and education in departments directly under party and government organizations. Besides the public security departments, the same higher wages are also enjoyed by employees of the national security departments, police schools, and municipal and county (district) judicial committees. Moreover, some organizations and establishments have successively established job titles, and as job titles are linked with wages, the wage gap has widened between employees of different departments as a result.

The second is unequal distribution of income other than wages, and bonuses and allowances can be very different from department to department. In recent years, various kinds of subsidies have been on the increase, and bonuses and allowances have become an increasingly large part of employees' income. Different departments have different standards for paying bonuses and allowances, which directly affects the per capita income in each department. For example, in 1990, the per capita bonus income in the financial and postal and telecommunications departments was 1,105 yuan, which alone was 789 yuan more than what was paid by departments directly under party and government organizations and departments under various other parties and mass organizations. Some departments with income from fines and confiscations, departments with enterprises and establishments under their jurisdiction, departments under the dual leadership of central and regional authorities, and establishments with self-generated income also pay employees varying sums of extra bonuses or one-time bonuses. In addition to bonuses and fixed allowances, some departments also have other allowances. By comparison, employees of departments directly under party and government organizations have no other hope of income except their fixed monthly wages, bonuses, and allowances (at the common level for all departments). Because they have little income other than wages, the total income of employees of departments



directly under party and government organizations has fallen to a new low. According to a sample survey, cadres at the section level in these departments have an average monthly cash income of 166.5 yuan. The per capita monthly income of a family of three, if both husband and wife are section chiefs, is just 111 yuan, and the family has a living standard lower than that of the average urban residents who have a per capita monthly income of 133.25 yuan and a per capita monthly expenditure of 121.93 yuan.

It is undeniable that there are good reasons for wage income to be different in different departments. For example, work is busy and tense in the financial and postal and telecommunications departments; work in the public security departments involves certain risks; and work in the industrial, commercial, and tax departments is difficult and very hard for employees at the basic level. However, the income gap between employees of different departments has become too wide, and in some cases it has gone beyond the scope of reasonable differentiation between jobs.

## 2. Disparities in "obscure income."

"Obscure income" refers mainly to various kinds of material benefits and disguised income received not in the reform of wages or cash. Disparities in this kind of income are manifest mainly in two areas.

The first is disparity in clothing benefits. Clothes required in work serve specific working purposes. At the same time, as an equivalent of cash, they also have a price and practical use value, and are a supplement to individual income that cannot be ignored. According to a rough estimate, units which require employees to wear specific clothing spend about 800-2,000 yuan on clothing for each person every year. This is the amount each employee of these units can save on clothing each year, a benefit not available to those in units without specific dress requirements. In the past few years, more and more units have begun to provide employees with attire, and a growing rivalry has developed among them. In quantity, more and more items are issued, from shirts, neckties, and gloves to topcoats, overcoats, and shoes. In quality, the materials are getting better and better, from dacron and khaki to woollens. More and more employees in more and more units are getting dressed up at public expense.

The second is disparity in housing distribution. The value of housing as a supplement to the income of party and government employees should not be underestimated. As shown by the realities in Qinhuangdao City, housing conditions differ greatly among party and government employees, and the differences exist mainly between departments. Housing conditions are generally better for departments which have income from fines and confiscations, departments in charge of enterprises and establishments, departments controlled mainly by central ministries, and establishments with self-generated income. Most of these departments have built

or bought houses on their own. Young employees can apply for housing after they are married. The houses are also better, not only with larger rooms, but sometimes also featuring central heating, bathtubs, and even interior decoration. In contrast, party committee organs and some government departments which have no other income, that is, units which depend totally on state budgeted funds including funds for housing, are generally faced with housing problems: it is difficult for employees to get housing or move from one house to another, and the houses available are in poor conditions.

## 3. Disparities in "covert income."

"Covert income" refers mainly to cash or material income, which is rather concealed and hard to be discovered by others, and preferential income. This kind of income is somewhat improper but cannot yet be regarded as downright illegal. It occurs mainly as follows:

First, some departments hand out bonuses in cash or in kind regardless of merit on holidays and festivals or under all sorts of pretexts. These departments generally have their own income or get funds from subordinate units to be distributed as bonuses in cash or in kind. Especially in the past few years, distribution in kind has become an epidemic in society. Distribution in kind has grown proportionally year after year, and the items distributed are mostly daily necessities and consumer goods ranging from sheets and quilt covers to raincoats and mosquito nets, from pots and pans to gas ranges, electric rice cookers, and range hoods, and from beers, soft drinks, and other beverages to chickens, ducks, fish, meats, and shrimps. Nothing is excluded, and everything can be distributed. It has come to meet a part of the individual consumption needs in some departments. It has been learned that the per capita distribution in kind makes up as much as 10 percent of the total wage income in some departments in the city.

Second, some departments take advantage of their control over enterprises and establishments to buy things at low prices. This is another form of covert income. In the name of being concerned with the well-being of cadres, workers, and staff members, some departments often buy meats, eggs, fruits, alcoholic beverages, and other items at low, and sometimes only symbolic, prices from subordinate units. The fact that other departments cannot buy the same things at the same prices as they do increases the value of their employees' money and creates a gap in covert income, or "preferential income," with employees of other departments. Moreover, some subordinate units often send goods to the departments above them at low prices or even as free gifts, which further widens the gap in covert income with other departments.

To sum up, the disparities in income distribution within party and government organizations are caused mainly by the huge gaps in non-wage income between different

departments, which directly affect the income levels of employees. The impact and side-effects cannot be ignored.

1. It is contrary to the socialist principle of distribution according to work.

According to the Marxist distribution principle, equal work receives equal pay, and a bonus is a reward for those who overfulfill their work quotas. However, the present distribution of bonuses within party and government organizations has, in fact, failed to follow this principle. On the one hand, bonus distribution is characterized by the egalitarian practice of everybody eating out of the same big pot, and everyone receiving the same bonus regardless of performance, ability, and contributions. On the other hand, the gaps in extra bonuses and allowances between some departments have become too great, and no distinction is made between normal work and work in excess of quotas.

2. It dampens the enthusiasm of some party and government cadres for work.

The unreasonable disparities in income distribution within party and government organizations have had a very strong impact on the thinking of many cadres, particularly the employees of departments directly under party and government organizations and party and government cadres at the town and township level. To the latter, the disparities are no doubt very upsetting, not only resulting in low working spirit, but also causing resentment and a feeling of being treated unfairly.

3. It has caused irrational transfers of cadres.

The unreasonable disparities in income distribution within party and government organizations have caused a growing feeling of insecurity in these organizations and intensified the tendency of party and government cadres to "change jobs." In one county, from 1988 to October 1989, 14 party and government cadres at the town and township level transferred to industrial, commercial, tax, and financial departments. And an increasing number of cadres in municipal and county (district) party and government organizations are requesting to "change jobs." These irrational transfers of party and government cadres not only have directly affected the stability of the cadre structure in party and government organizations, but have also caused serious overstaffing in some of the "real benefit" departments. As a result, some of these departments are overflowing with people they have no need for, and some bureaus have actually become "resettlement bureaus."

## II

The disparities in individual income distribution within party and government organizations are caused by many reasons. The following are the major ones.

### 1. Policies.

First, there is a lack of supporting measures for the wage reform policy. Mainly it is the failure of the party and government organizations and the establishments to work out appropriate, coordinated reform plans. The establishments have adopted job titles for professional and technical positions, which are linked to wages, but the party and government organizations have neither adopted job titles nor implemented the public service system. As a result, cadres who formerly had similar grades and wages are now separated by a widening income gap.

Second, there are "too many authorities who can make policies" on income distribution. In the past few years, some policy decisions have been based heavily on departmental interests and failed to give consideration to the interests of the whole. Thus, units controlled by central ministries and certain departments have been given an advantage in income distribution.

Third, the state does not have a sound income distribution policy and lacks effective legal, economic, and administrative means for policy implementation and supervision. Some units and individuals are taking advantage of loopholes to hand out bonuses in cash and in kind indiscriminately. How far they can go depends on how bold or timid they are.

### 2. Management.

First, the overall regulation and control of income distribution by the state and local authorities have weakened, causing the income distribution structure to become irrationally biased. The proportion of standard pay to total wage income is becoming smaller and smaller, and the proportion of bonuses and allowances is getting bigger and bigger.

Second, there is a lack of control over extrabudgetary income. As a result, some units with self-generated income are engaged in extrabudgetary financial activities. As regards the distribution of income derived from self-generated funds, the state so far has not produced effective control measures.

Third, inflation and confusion in circulation have caused reactions in income distribution. The practice of using all kinds of excuses to augment employees' wages by paying them unreasonable allowances through various channels is spreading.

### 3. Rivalry.

First, open rivalry, despite restrictions ordered by the state, some departments and systems are still competing with each other in income distribution. As a result, excessive distribution is changing from bad to worse. The employees of some departments are comparing their income and expenses with each other. When they feel they are being treated unfairly, they will try to transfer to other departments or bring their income and expenses up to a par with others by improper means.

Second, concealed rivalry. This refers to competition in individual income distribution in a concealed manner. The unreasonable disparities in income distribution are being hidden. For example, the standard of individual income and benefits is in fact very high for some departments and units in Qinhuangdao City, but it appears to be very low in the statistical reports, which fully explains what the problem is.

Third, two-way rivalry. This refers to competing with units which have a high standard of individual income distribution, if the question is individual income distribution, and competing with units which have a low standard of work and contributions, if the question is work and contributions. This negative rivalry has further aggravated some of the unreasonable disparities in income distribution.

The unreasonable disparities in income distribution within party and government organizations have now become a widespread social phenomenon. It is certainly beyond the ability of any region or department to solve the problem once and for all. What's more, in today's society as a whole, the income level of even the "real benefit" departments, which have the highest income level inside party and government organizations, is still low, compared with some trades and professions in society. Therefore, the writer's intention in raising this question is not to bring down the income level of the so-called "real benefit" departments inside party and government organizations, but rather to analyze and explore from the angle of investigation and study some practical problems in income distribution within party and government organizations, and to present a few suggestions in the following aimed at properly alleviating, reducing, and solving some of the unreasonable disparities in income distribution.

1. We should further improve the laws, regulations, and policies concerning income distribution. Before the implementation of the public service wage system, we should measure and determine the amount, characteristics, intensity, complexity, and responsibility factors of the work in various departments of party and government organizations and establishments in a uniform and comprehensive way and rationally readjust and determine the standards and procedures for the payment of wages, bonuses, and allowances based on the principle of distribution according to work. While examining and straightening out the unreasonable and illegal incomes, we should also adopt some preferential policies to solve the problem of the obviously low income of employees of departments directly under party and government organizations and to alleviate and reduce the unreasonable disparities in income within these organizations.

2. We should strengthen the macro regulation and control of income distribution by the local governments. It is necessary to further straighten out the wage control system and improve the various control measures. In conjunction with the wage reform, efforts should be made to gradually turn the hidden incomes into open

incomes and hidden allowances into open allowances. It is suggested that all kinds of allowances be checked, combined into wages, and linked with work performance. An extra-wage income management system should be set up and perfected to strengthen control of extrabudgetary funds. A limit should be set for extra-wage income to reduce its proportion in individual income. Except regular wage and bonus payments, all units should be strictly forbidden to hand out additional "bonuses" and payments in kind indiscriminately or to buy things for employees at low and token prices.

3. It is necessary to strictly enforce tax collection and management and step up the collection of personal income taxes. Consideration can be given to lowering the starting point for the collection of the personal income regulatory tax, raising the tax rates by a suitable degree, or turning the personal income regulatory tax into personal income tax.

4. An income distribution supervision and inspection mechanism should be established and perfected. It is necessary to strengthen the supervision and control over income distribution in all departments. It is necessary to make the "overt income" known to the public, make the "obscure income" more visible, and strictly restrict the "covert income." Discipline inspection, procuratorial, auditing, financial, and tax departments at all levels should carry out their duties conscientiously, and improper distribution of income in violation of policies, laws, and decrees must be firmly investigated and dealt with.

5. Greater efforts should be made to promote and encourage honesty in party and government organizations. Propaganda and education in this area should be strengthened to guide the vast numbers of cadres in establishing a correct concept of fairness and gradually enhance their psychological capacity to accept the changes.

#### Nature, Theory of Capitalism Criticized

92CM0055A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 9, 5 Sep 91

[Article by Li Xiaomao (2621 2556 5403), Lin Jiangong (2651 1696 0361), and Li Xinzong (2621 2450 0022): "A Guide for the Study of Theory by Cadres"; XUEXI YU YANJIU is the official journal of the Beijing Municipal CPC Committee]

[Text] In capitalist countries, people are exploited, but they live well; in socialist countries, people are not exploited, but they live poorly. Is this statement correct?

First, this is not true. There are more than 100 capitalist countries in the world, most of which are developing countries. The 42 countries listed in 1989 as the least developed in the world are all capitalist. In many of those countries, the political and economic situation is growing worse, fiscal revenues are unstable, grain supplies are troublesome, and economic woes abound. In



these capitalist countries, the people are deeply exploited, and their lives are indescribably difficult. Thus, it is incorrect to say that the situation in a small number of developed capitalist countries is descriptive of the entire capitalist world of today. Such a position is one-sided and untenable. On the contrary, China was once one of the poorest countries in the world. Prior to liberation, our people were beset by hunger and cold. Since the establishment of the New Socialist China, the problem of food and shelter for 1.1 billion people has been basically resolved in only 40 years. To provide food and warmth to a starved and freezing populace has been a great historical step forward. It is the result of our destruction of the system of exploitation. Of course, in comparison with developed countries, the standard of living of our people is still quite low, and it is precisely for this reason that the party's Central Committee has formulated the ambitious strategic objective of elevating the populace to a comfortable middle class lifestyle by the year 2000, with the eventual hope of overtaking the developed countries. If we are to achieve this ambitious goal, it is fundamental that we adhere to socialism; the exploitation of man by man must never occur again in China. Thus, the idea that "people in socialist countries are not exploited, but they live poorly" is short-sighted, static, and non-historical. Those who espouse this idea ignore the continual improvements in the Chinese people's standard of living which have been achieved in the 40 years since the destruction of the system of exploitation, and even less do they realize the excellent prospects for further improvements in lifestyle which the establishment of socialism has provided. The conclusions they reach are naturally unfair and unscientific.

Second, such a statement reveals a failure to make a basic analysis of the facts. The small number of developed capitalist countries in Western Europe and North America have accumulated enormous wealth over a period of several hundred years of development. Although the terrible hardships suffered by the masses during the period of primitive capitalist accumulation came to an end in what are now the developed capitalist nations when they implemented social security systems after World War II, we cannot focus excessively on the ideas of "high wages" and "high consumption." The most cursory analysis reveals that, for them, "high wages" are achieved at the cost of "heavy exploitation," "high prices," "high rents," and "high interest rates." Furthermore, "high consumption" goes hand in hand with "high waste," and it is achieved at the cost of huge numbers of unemployed, and impoverishment of the majority. Statistics indicate that the richest 2 percent of the population in the United States own 60 percent of all property, and 80 percent of all stock is controlled by a group of millionaires comprising 1.6 percent of the population. The number of people below the poverty line is increasing, not declining, having jumped 32 percent in the 20 years from 1969 to 1988. On the one hand are the majority, living in poverty and suffering from hunger and cold; on the other hand is the small number of fabulously rich people who throw money around like

dirt. This is the true picture of life in capitalist countries, and even the bourgeoisie is forced to admit it. For this reason, even in developed capitalist countries, the exploited workers do not live in "a paradise" or "a wonderland." Although China was deep in the hole to start with in its program of socialist reconstruction—"poor and blank," as the saying goes—and we have not been developing for long (only 40 years), if we understand "living well" to mean not only high wages and the possession of consumer goods but also to mean overall well-being, then we can, by comparing China's 40 years of development with the two or three hundred years of capitalist development, clearly understand the nature of things and the developmental trends. For example, according to the standard of living criteria used by the World Bank, and using figures issued by China's State Statistical Bureau, China's mortality rate dropped from 20 per thousand in 1949 to 6.5 per thousand in 1989, a drop of 13.5 per thousand. Average life expectancy rose from 35 years in 1949 to 69.05 years in 1986, a net gain of 34.05 years, surpassing the United States and ranking near the top in the world. The number of hospital beds per million population rose from 2.8 in 1952 to 23.3 in 1989, an increase by a factor of 8.3. The number of doctors per million population increased from 7.4 to 15.6 over the same time period, an increase by a factor of 2.1. For every 10,000 population in 1990, 142 people had completed technical college or higher, 804 had graduated from senior high school, and 2,334 had graduated from junior high school. These figures, respectively, represented increases of 174.8 percent, 492.6 percent, and 388.7 percent over 1964. By the end of 1990, China's standard of living had reached or surpassed that of middle income countries in terms of health, nutrition, life expectancy, and educational opportunity. The World Bank's 1990 development report also came to similar conclusions. Of course, inasmuch as the level of development of overall productive forces determines living standards, China is still far behind the developed capitalist countries, but when you compare the standard of living of China's working people over the past 40 years of socialism with the standard of living of working people in capitalist nations during their 200-300 years of development, do you not find that the standard of living of people in socialist countries is much better than that of those in capitalist countries? Standards of living are rising faster, income distribution is fairer, and there is much more social justice for the population as a whole. In the light of this analysis, it is not hard to see that under capitalism, because of man's exploitation of man, the life of luxury and dissipation enjoyed by those who control capital is necessarily founded upon the poverty of the great masses of working people. Under socialism, because the means of production are publicly owned, the material interests of the working people are fundamentally the same, which means that the wealth of one person can never be predicated upon the bankruptcy of another. Thus, only a concrete analysis carried out with a sense of history, not simplistic, one-sided observations, will enable us to truly understand whether socialism or capitalism is superior.

Only in this way can we clearly see which people are living well and which are living poorly.

Li Xiaomao

**Is democratic socialism a viable option within the socialist model?**

Some people say that democratic socialism is one option within socialism. We say it is not. If we are to clearly understand this issue, we must clearly understand the relationship between the fundamental system of socialism and the concrete forms of socialism.

The fundamental socialist system is determined by the nature of socialism; it is a fundamental characteristic of socialism. It includes a number of elements: adherence to the dictatorship of the proletariat; consolidation and development of the worker-peasant alliance; establishment of a broad united front; gradual establishment of a highly socialist democracy; establishment of an ownership system for socialist means of production based upon the system of public ownership; adherence to a principle of social distribution based primarily upon the principle of to each according to his work; even distribution of wealth among all working people; placing top priority on economic development; adherence to the principle of combining the planned economy with market regulation; development of the socialist planned commodity economy; improvement of the material and spiritual standard of living for all people; the leading position of Marxism in the ideological sphere; establishment of a socialist spiritual civilization; adherence to the leading position of the Communist Party in the nation's regime; establishment of ethnic equality and unity; etc. To judge whether a social system is socialist, one must ask whether it exhibits these fundamental characteristics and implements these fundamental systems. To uphold socialism, one must uphold these fundamental characteristics. Within the context of adherence to the fundamental socialist system and reflection of the fundamental characteristics of socialism, the various models of socialism are different concrete systems which have been adopted so as to mesh with the social conditions, historical characteristics, ethnic traditions, and level of development present in different countries, so the different models of socialism are diverse. Our conclusion is that while the models of socialism are diverse, the nature of the fundamental socialist system is constant. A country can choose from different models of socialism in accordance with local conditions, but the fundamental socialist system cannot be tampered with.

A concrete analysis of the theory and practice of democratic socialism reveals clearly that it completely negates the fundamental system and characteristics of socialism, and that it is fundamentally opposed to scientific socialism. It advocates elimination of the dictatorship of the proletariat and "eradication of dictatorship by any class." It praises the virtues of "a generic democracy"

which transcends classes. It claims that socialist countries where the Communist Party is in power are dictatorships, and asserts that the dictatorship of the proletariat is totalitarianism. It negates the relationships in the socialist system of ownership, which are based mainly on the planned economy and the system of public ownership. It advocates private ownership and a complete market economy. It demands that the fundamental nature of the Communist Party be changed, abandons the leading position of the Communist Party, and calls for a multiparty system. It negates the leading role of Marxism, and calls for diversification of ideology. It uses humanism to "supplement" and "improve" Marxism. It uses an abstract theory of human nature to interpret socialism, thereby distorting and bastardizing the fundamental theories of Marxism. These aspects of democratic socialism violate the fundamental systems and characteristics of socialism. In no way is democratic socialism an exploration into a new model of socialism; it is an attempt, under the guise of socialism, to change socialism back into capitalism. The crises and precipitous changes now occurring in some socialist countries are ample proof of this point. We must fully recognize the pernicious effect of democratic socialism upon socialism, and remain on guard against it. We must explore the deceitful nature of democratic socialism and clearly recognize its true nature, thereby bolstering our conscious resolve to build socialism with Chinese characteristics.

Lin Jiangong

**If public ownership is superior, then why are some large and medium-sized enterprises which are to a high degree publicly owned not doing as well as some enterprises which are collectively owned, 100 percent foreign-owned, or operated as joint ventures?**

Some state-run large and medium-sized enterprises are not as efficient as some enterprises which are collectively owned, 100 percent foreign-owned, or operated as joint ventures. However, it must be noted that not all state-run large and medium-sized enterprises are inefficient. According to national statistics from 1989, state-run large and medium-sized enterprises earned 12.54 yuan in profits per 100 yuan in output value. The same figure was 5.47 yuan for collective enterprises, 8.31 yuan for 100 percent foreign-owned enterprises, and 8.66 yuan for joint ventures. Most other indicators of economic benefits were also higher for state-run large and medium-sized enterprises than for other types of enterprises. This shows that from a nationwide perspective, not only are the economic benefits of enterprises under the ownership of the whole people not worse than those for other enterprises, but they are even better, and this is especially true for large and medium-sized enterprises. The reason why people have the idea that state-run large and medium-sized enterprises are not as efficient as other types of enterprises is that, for several years in a row, production has grown at a slower rate in enterprises under the ownership of the whole people than in township enterprises and foreign-invested enterprises.

Why is it that production has grown so slowly in large and medium-sized enterprises throughout the country, even to the point that some of these enterprises have become less efficient than some enterprises that are collectively owned, 100 percent foreign-owned, or operated as joint ventures? There are three main reasons for this.

1. The changeover to new economic operating mechanisms and management mechanisms has not gone smoothly. With the implementation of reforms, old ways have been done away with in many large and medium-sized enterprises before new methods have been set up, or the old and the new have existed side by side. Many policies and measures have been unscientific and unstable, creating confusion for enterprises. In addition, for a time people put excessively high hopes in the market and reduced the role of the plan too much, which caused a loss of macroeconomic control. Allocation of production factors was in chaos, as was the circulation link, with the result that large and medium-sized enterprises, which had always depended upon the plan for regulation and control, did not know what to do, and they suffered the greatest losses. Although the state has adopted a number of policies and measures to revitalize large and medium-sized enterprises, macroeconomic regulation and control is quite ineffective and policies are impossible to carry out because of the state's limited ability to exercise direct regulation and control through a compulsory plan, and also because the economic levers which it uses to exercise indirect regulation and control (prices, interest rates, and tax policy) are very unsound.

2. The economic interest mechanism is still flawed. During the reform period, the system and outlines of national income distribution have undergone great changes. The general trend has seen a rapid increase in the share of income going to individuals, a sharp decline in the proportion going to the state, and no major change for enterprises in spite of the fact that their retained profits have increased. This situation is closely related to the presence of flaws in the economic interest mechanism. For example, when total enterprise wages were linked to the amount of profit taxes handed over to the government, it brought unwanted consequences: every time the state levied new taxes, workers and staff at enterprises received higher wages. Under this economic interest mechanism, state-run enterprises became strongly committed to paying taxes to the state and wages to their workers and staff. In the meantime, it is inevitable that government departments should have a large number of measures for controlling work units which provide a large amount of fiscal revenues, and that, at the same time, they should have few measures for strengthening impetus for further development in large and medium-sized enterprises and preventing these enterprises from being milked as if they were cash cows. This has caused the retained earnings of state-run enterprises to fall far below those of other types of enterprises. The capacity of these enterprises to accumulate their own funds and develop on their own was seriously weakened.

3. State run large and medium-sized enterprises face a very adverse competitive environment. This is manifested in many ways:

With respect to enterprise autonomy, township enterprises and foreign enterprises are economic entities with true operational autonomy. These enterprises make their own decisions regarding the type, volume, variety, and specifications for the products they deal in. They decide themselves what marketing channels and what style of management to use. State-run enterprises, however, are subject to all sorts of restrictions in their production and business activities, and particularly amidst the complex conditions which have resulted from reform, lines of authority get crossed up and conflicting policies originate in different parts of the government, leaving enterprises not knowing whose rules to comply with and causing new frictions and difficulties.

With respect to business objectives, the purpose of township and foreign invested enterprises is mainly to make a profit. They do not care for the elderly or look after the young, but state-run enterprises, and especially large and medium-sized enterprises, are responsible for many social services. They must look after the most minute details of the welfare of their workers and staff, even seeing to it that their sons and daughters find employment. At the same time, enterprises are subject to unreasonable requisitioning of services and exorbitant fees, and they are inspected too frequently and too rigorously. All of these irrational burdens weigh upon enterprises under the ownership of the whole people, depriving them of focus in their business activities and making it impossible for them to concentrate upon running business properly.

With respect to price policy, township and foreign-invested enterprises can set their own prices and readjust them in response to changes in supply and demand in the marketplace, but state-run enterprises, and particularly large and medium-sized enterprises, shoulder the greatest responsibility for fulfilling the state plan, and the prices of products manufactured under the state plan are set by the state. Because these products have a deep impact upon the welfare of the people, the prices are generally rather low and these products usually bring in a slight profit if they do not lose money. In this manner, because a great percentage of the products put out by state-run large and medium-sized enterprises are manufactured under the state plan, these enterprises sometimes lose money. Some inequities that have appeared during the course of reforms have led to breaches of the state plan. While the prices for these products are set by the state, the prices for raw and semifinished materials as well as energy resources are set through negotiation, which means that these enterprises do not have an assured supply of raw and semifinished materials, energy resources, and funds, with the result that production falls far short of quotas. Large and medium-sized enterprises do not have the material base to sustain normal production.



With respect to tax policy, state-run enterprises pay much higher taxes than do township and foreign-invested enterprises. Taxes for township enterprises are exempted or reduced for several years, and the rates are also lower than for state-run enterprises. Not only do foreign-invested enterprises in special economic zones pay fewer types of taxes, but their tax rates are also extremely low. They only pay 15 percent of annual profits, and they are exempted from local taxes, while state-run enterprises in the inland provinces pay over 80 percent of their income in taxes. Foreign-invested enterprises in the inland provinces also receive "two years of tax exemptions and three years of tax reductions," and their income tax rate is only 30 percent, which is much lower than that for state-run enterprises in the inland provinces. Examples like these are countless.

With respect to the promotion of technological progress in enterprises, township and foreign-invested enterprises are free to set their own depreciation rates and the amount of their technology development funds on the basis of their own situations and market requirements in order to assure that their technology is continually upgraded and their products are continually improved. However, state-run enterprises, and especially large and medium-sized enterprises, are subject to tight restrictions in these two areas via fiscal policy. As a result, state-run large and medium-sized enterprises for a long time have exported financial resources, made few inputs, and failed to plow funds back into their business. Equipment has aged, technology has become outdated, and economic benefits have declined annually.

In some localities, township enterprises have now become the primary source of local fiscal revenues, and they receive assistance and protection from governments at every level, but state-run large and medium-sized enterprises face all sorts of interference in their operations, and their burdens are heavy: those asking them for money are numerous, while those extending a helping hand are few.

One other point bears noting. The fact that some collective and foreign-invested enterprises have developed quickly and achieved high economic benefits is significantly related to the characteristics of these enterprises and their products. For example, most township enterprises are not large in scale, and many of their products bear a special ethnic or local flavor. For foreign-invested enterprises, in addition to the fact that they are not very large in scale, their products are either in scarce supply or cannot be produced in China. They are called "set and spike products" because they yield economic benefits very quickly. In recent years, market regulation has been continually strengthened in China, and the characteristics of these enterprises and their products just happen to enable them to benefit from this trend. Enterprises which are small in scale, flexible, make quick policy decisions, and have a quick rate of funds turnover can respond quickly to market changes and rapidly produce "set and spike products" which are badly needed on the market, so their sales are good and profits are strong. State-run large and medium-sized enterprises, on the other hand, cannot look out only for their own interests and neglect to produce products called for by the state plan. Not only must they consider the interests of their own enterprise, but they must also consider the overall interests of the country. Their undertakings generally involve the consumption of huge amounts of funds, bring a low return on funds, and investment cycles are very long. When viewed from a short term perspective, the economic benefits of these enterprises are not necessarily apparent.

Thus, it is clear that the reason why the growth of state-run large and medium-sized enterprises is slower than that of township and foreign-invested enterprises is not that the system of ownership in township and foreign-invested enterprises is superior to that in state-run large and medium-sized enterprises, but that many conditions have arisen in recent years which have been conducive to the development of township and foreign-invested enterprises and adverse to the development of state-run large and medium-sized enterprises.

Li Xinzong

## NATIONAL AFFAIRS, POLICS

### Thoughts on Revitalizing Large, Medium Enterprises

92CE0136A Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 5 Sep 91 pp 55-58

[Article by Pei Tongshun (5952 1749 7311), responsible editor Lin Daojun (2651 6670 0689): "Thoughts on Revitalizing Large and Medium-Sized Enterprises"]

[Text] Revitalizing the state-run large and medium-sized enterprises is an important and urgent task that we are presently confronted with. The CPC Central Committee considers this task one of outstanding importance. The State Council, too, has promulgated relevant policies and measures, and as a consequence a very favorable atmosphere has been created for its accomplishment. The critical need now is to have all localities and all departments translate these measures into concrete reality and to have them conscientiously follow through with them to the very end.

#### 1 Weakened Vitality in the Enterprises and Its Effect

Due to the demands posed by the development of the socialist planned commodity economy, the objective of enterprise revitalization must be, and can only be, the "four self's," namely a business mechanism that allows self-determination, "self-responsibility" for profits and losses, self-initiation of development, and the exercise of self-discipline. Since the start of our policy of reform and opening to the outside world, there have definitely been signs of improved vitality in all large and medium-sized enterprises, but they are still far from a full and effective achievement of the "four self's." All enterprises are still facing many difficulties and problems, and overall there has been a considerable decline in the vitality of the large and medium-sized enterprises, manifesting itself mainly as follows:

1. Autonomy in production and business operations is not yet fully up to standard, and this makes it very hard to fulfill norms. The "Enterprise Law" prescribes that an enterprise shall have the right to demand an adjustment of the mandatory plan and of product marketing arrangements for materials not subject to supply under mandatory planning. Now, the government merely issues mandatory plans to enterprises subject to such mandatory planning, and expects products to be delivered at plan prices, but cannot ensure supplies according to the plan of raw materials and energy required by the enterprises, so that the enterprises are compelled to buy raw materials at high prices, but to sell their products at parity prices. When buying raw materials outside the plan, they frequently encounter the problem of violating franchise regulations, not to mention that the quality is inferior and prices high, so that frequently production capacity is left idle, or losses are even incurred. Some government agencies in charge merely strive to be able to register high output values, and that compels enterprises

to produce items that are already overstocked, so that such products cannot bring in a good sales value, and that again results in a great decline in economic returns.

2. Autonomy in marketing is not yet fully up to standard, and that makes for difficulties in marketing products. The "Enterprise Law" prescribes that every enterprise has the right to market its own products, and has also the right to choose the unit to which it will supply its goods. However, some localities and government agencies rigidly insist on prescribing that enterprises must buy their raw materials from designated units to which goods are to be supplied, and that they must market their products within a prescribed range. This raises production costs for the enterprises and creates difficulties for them in marketing their products.

3. The right to refuse illegal impositions is still not yet fully recognized as it should be, and this makes it difficult to reduce costs and to improve economic efficiency. Enforced contributions to funds and demands for financial assistance under all kinds of pretext, as well as indiscriminate imposition of fines, has assumed serious proportions. Some government agencies have even started to willfully requisition manpower from the enterprises under some pretext, and the periods of such "borrowing" are getting longer and longer, in some cases 3 to 5 years. To maintain good relations with everyone, the enterprises could not but reluctantly release the men that were "borrowed" in this way, but still had to continue paying them the usual wages, bonuses, and welfare benefits. This places a heavy load on the enterprises, continuously raises their costs, and directly impairs their profits.

4. The right to control personnel and labor affairs is not yet fully recognized as it should be, and this makes it difficult to exercise factory discipline. According to regulations, mid-level administrative cadres are to be appointed and dismissed, employed on contract and have their contracts terminated by the factory director. However, in some places the persons suggested by the plant director are not approved by the government agency in charge, which insists on dispatching its own selection of cadres instead. The enterprises also find it difficult to exercise the right to dismiss or retire staff or workers who violate factory discipline or factory regulations. This is particularly the case when persons are sent in after they have served their prison terms or have been released from education-through-labor camps. In such cases there is nothing left for the enterprises to do but to sacrifice labor productivity for social stability. The consequence is a strange phenomenon in matters of employment, namely that it is better to have spent time in jail than to be an ordinary youth awaiting employment. As for the reason for this, the crucial point is that so far no labor market and no social security system has been established. Another reason is interference by the many official organizations, such as those in charge of neighborhood affairs, labor affairs, and public security affairs.

5. The right to determine salaries and wages is not yet fully acknowledged as it should be, and that makes it difficult to reform the distribution system. The "Enterprise Law" prescribes that every enterprise shall have the right to determine the shape and form of its wages and the method of its bonus distribution according to its own circumstances. However, there are places where the relevant official leadership agencies directly instruct wage increases on an equal per capita basis, thus seriously disturbing the reform of the distribution system in enterprises.

6. The right of capital utilization is not yet fully recognized as it should be, and that makes it difficult for enterprises to make their own arrangements for accumulations. The finance agencies of some local governments prescribe that the enterprises must establish separate accounts for renovation and transformation funds, large repair and construction funds, and other extra-budgetary funds, use of each to be separately reported and approved. This deprives the enterprises of freedom in their financial arrangements. Enterprises are seriously short of free funds and have to rely on bank loans, on issuing enterprise bonds at high interest rates, and on accommodation loans to maintain production or to undertake technological transformations. Under the perplexing effect of the triangular indebtedness, insufficient supply of raw materials, and rising prices, production costs go up, and any preferential treatment, such as tax exemption, is very difficult to get. In short, many elements contribute to weaken the capability of large and medium-sized enterprises to effect self-accumulations.

## II. The Fervent Hopes of Plant Directors

As state-run large and medium-sized enterprises have to contend with so many difficulties, plant directors harbor certain fervent hopes, they have everybody's sympathies, and their hopes most emphatically call for understanding from the leadership in party and government at all levels as also from the entire society.

1. They hope for an enlightened "mother-in-law." In actual life, a mother-in-law is not easy to get along with, she frequently shows little solicitude, interferes a lot, and now [figuratively speaking, it is a kind of "mother-in-law" who] prevents the plant director from concentrating all his energies on the business operations and management of the enterprise. Nothing is diverting a plant director's energy more than affirmation of "status rank." That enterprises have to undergo assessment when they are to be raised in rank is a matter beyond criticism, but some government agencies are prescribing many irrational rules and regulations to have a hold over the enterprises, and if there is the slightest carelessness or lack of adequate entertainment on the part of the enterprises (toward the government agencies), the enterprises will not be able to get past the obstacles imposed by said regulations. The enterprises, therefore, had better get everybody into the act and expend a good deal of energy and finance to cope with the great variety of evaluations, investigations, and comparative criticisms. The plant

directors fervently hope to rather get a more enlightened "mother-in-law" who will devise plans and policies for the benefit of the enterprises and who will show sincere solicitude for the enterprises.

2. They fervently hope for understanding and support. An enterprise is not merely a production unit, but also has to solve a series of problems for its staff and workers and even for their children, such as welfare benefits, education, employment, etc. Every plant director has his own hard nuts to crack, and while they are not afraid of hardship and fatigue, they fear most that people will have no understanding for their circumstances, of which the actual facts are: Plant directors do not dare offend official agencies that insist on injecting personnel into the enterprises and, on the other hand, also do not dare refuse units that stretch out their hands to the enterprises for money, materials, or manpower, because these agencies or units have in some areas the power to impose restrictions on the enterprises. Plant directors fervently hope that superior government agencies and fraternal units will show more understanding and support, and cause less difficulties for the enterprises.

3. They fervently hope for an excellent social and public opinion atmosphere. Plant directors hope that everybody at every level of leadership, all government agencies, and society as a whole will sincerely study and propagate the "Enterprise Law," that they will thereby enhance knowledge of the position and function of state-run large and medium-sized enterprises in the national economy and throughout society, and definitely bring about a change in the prevailing concept that enterprises are merely appendages of the government. At the same time they also hope that a correspondingly comprehensive reform will take place in the areas of planning, finance, taxation, banking, materials supply, prices, workers' wages, and in the social security system. They hope the entire society will support the work of plant directors and will create, for the benefit of the enterprises, a relaxed and harmonious external environment.

## III. A General Plan for the Adjustment of the Centrally Oriented Regulatory and Control Dynamics

In the process of gradually establishing the new system of socialist planned commodity economy and the new economic mechanism of an integration of planned economy with market regulation, the top-ranking leadership in counties and municipalities (prefectures) must conscientiously abide by the spirit of the Seventh Plenary Session of the 13th CPC Central Committee and of the Fourth Session of the Seventh National People's Congress. They must closely integrate the relevant macro-policies with the realities of the local situation, and in doing so create an excellent external environment for the state-run large and medium-sized enterprises. They must spur on the enterprises to perfect their business mechanism, and in particular establish a sound encouragement mechanism and restraining mechanism.



within the enterprises, enhance enterprise vitality, and move the enterprises gradually onto the developmental road of foreign cycles.

### 1. Conscientious Implementation of the "Enterprise Law," Realization of Enterprise Autonomy

1) We must implement all rules, regulations, and policies promulgated by the CPC Central Committee, the provinces (autonomous regions), and counties, and must proceed strictly according to the principle of dividing responsibilities between government, enterprises, and personnel. It is necessary to bring the "planning, adjusting, administering, and service" functions of the government's administrative agencies into full play, and to strengthen focal points of all centrally-oriented work, such as planning of trades, annual plans of enterprises and their short-term and long-term development plans, major capital constructions, checking and approving technological transformation projects, administration and checking of contractors' contracts, authorizing limits for wages, adjustment of norms, arrangement of distribution relations, management performance by the leadership group, rewarding or penalizing them, etc. It must be truly a state of affairs in which the enterprises are allowed to enjoy all the rights which the "Enterprise Law" bestows on them without deductions of any sort.

2) We must conscientiously ensure the rights of the enterprises in personnel affairs and must reform the personnel system that allows injecting cadres into the enterprises. For the employment of mid-level administrative cadres in the enterprises we must institute a system of formal employment with definite terms of office. Where conditions permit, enterprises may openly invite applications for employment from within their organizations. The formal employment, appointment, and dismissal of mid-level administrative cadres must be decided by the enterprise in question all by itself. Except in cases for which explicit regulations by the province (autonomous region) or a higher authority prescribe the requirement of approval by higher authority, the administrative agency in charge may only require a report be made for their record, but must not willfully interfere in personnel matters.

3) The organizational setup of an enterprise must be determined by the enterprise itself according to its production and operational needs. Except where explicit regulations by the province (autonomous region) or higher authority prescribe otherwise, no government agency or unit may arbitrarily demand of the enterprise to set up a counterpart organization or to increase its personnel establishment; it is particularly not allowed to make fulfillment of demands that effect a condition for promotion in rank or in the competitive evaluations. Enterprises should trim down their organizations, reduce all nonproductive staff, and determine a rational proportion for the number of nonproductive staff in relation to the total number of staff and workers.

4) We must effectively put a stop to the "three indiscriminates" and lighten the burden on the enterprises. Enterprises may refuse to pay any authorized fees indiscriminately imposed by the various local governments, agencies involved in such impositions shall of their own accord abolish such fees. Properly graded controls shall be instituted for inspections, testing before acceptance, evaluation, informatory visits, training, and similar activities. Especially when organizing visits for study purposes and various training courses, government agencies must not rigidly apportion costs, but the enterprises must instead have the right to consider whether or not they want to participate.

5) The right of enterprises to set prices for their own products must be appropriately extended. In addition to those commodities for which prices have been explicitly decontrolled by municipal (prefectural) or higher authority, prices for a further range of commodities should be decontrolled, and enterprises be allowed to set prices, instituting a system of preferentially granting pricing permits to large and medium-sized enterprises. For any amount of products produced in excess of the mandatory production plan, i.e. production which the enterprise may freely market, the state shall set ceiling prices, the highest limit on prices. Where the state has a system of equal prices for plan and extra-plan sales, state-fixed prices shall be enforced. In all other cases, prices shall be fixed through consultation between supplier and consumer, the upper level being the local market price.

### 2. Further Perfection of the Contract System, Earnest Revitalization of Business Operations

1) Enterprises that practice two-year term roll-over contracts must, as prescribed in the Eighth 5-Year Plan, draw up contract programs for the last 1 year, and, after obtaining approval by the contract leadership organ of the various localities, have their contracts renewed. Those that truly due to objective circumstances could not fulfill their contract obligations during the last term and are owing deliveries shall be investigated by the authority in charge and by the finance and tax authorities, and their case shall then be referred to the contract leadership organ, which shall decree a reduction or remission of obligations according to the circumstances of the case.

2) For enterprises that have incurred a loss a special form of contract shall be put into effect according to which additional losses will not be subsidized, but any reduction in losses may be retained by the enterprise. In cases where large amounts of losses are involved, a form of "contracting for profits and taxes" may be tried out to spur on the enterprise to turn losses into profits.

3) The norms of an enterprise for linking wages to productivity must in turn also be linked to the contract norms. At the beginning of each year the wage base figure and the floating ratio for the year must be fixed. When

enterprises intend to draw profitability wages, the principle must be firmly observed of first carrying out an audit before paying out cash. If the enterprise has incurred a loss during the year in question, wages must float downward, and the wage risk fund must not be used to make them float upward at all.

4) The term of office of an enterprise plant director (manager) must be linked to the term of the enterprise contract. Where conditions permit, continuous contracting and continuous office appointments may be practiced, ensuring a relative stability of office for the plant director. During their tenure of office, a system of proficiency assessments shall be carried out, and a system of auditing their performance at the end of their tenure shall be strictly enforced.

5) Large and medium-sized enterprises shall be permitted to utilize their available equipment and technology to develop multiple products and multiple lines of business operations with one line remaining their main line of business, so as to actively bring into full play their capacity for scientific and technological coordination. Scientific and technical personnel shall be permitted to use idle equipment and free time after completing their regular tasks to undertake or contract for engineering projects or tackle particular technical problems.

6) We must bring the major channels available to our materials and commercial sectors into play to improve the procurement and storing up of products produced by the key large and medium-sized enterprises. Our foreign trade agencies must exert efforts to open up the international market, adopting a variety of forms to allow China's products to break into international markets. We must in particular create a state of affairs that will allow as many as possible large and medium-sized enterprises autonomy in foreign trade. The administrative agencies in charge of industrial and commercial affairs must provide all necessary facilities to improve marketing and to revitalize business.

### 3. Intensifying Internal Reform in Enterprises, Improving Managerial Proficiency of Enterprises:

1) We must do more to straighten out the relation between party and enterprise administration. We must fully affirm the party organization's role of ensuring proper supervision, and must uphold the legal position of the plant director in the production and business operations of the enterprise. The plant director and the party secretary must support each other and constitute a united force, bringing the capabilities of the enterprise as a whole into play. In enterprises where conditions permit, the leadership can be organized in such a way that the plant director (manager) concurrently serves as party secretary, and that at the same time one special employee serves as deputy party secretary, so as to heighten efficiency in arriving at policy decisions.

2) We must revitalize distribution within the enterprises, overcome egalitarianism, firmly adhere to the principle

of distribution according to work performance, and we must continue floating wages, piece rate wages, structured wages, and other such forms of distribution. A certain proportion in the income of a staffer or worker must be linked to and assessed as a result of the person's work performance, and we must institute a system of upward and downward floating wages. Distribution of bonuses must definitely be linked to the person's work performance; there must be a publicized plan for such, and bonuses must be paid out openly. In enterprises where such is possible, a system of wages according to technical ability at the post and a system of assessments for promotion to higher rank shall be instituted. Wages effectively paid by enterprises shall gradually be paid differently from standard wages. If a general adjustment of wages will be uniformly prescribed for the whole country, those shall be taken on record as wages to be paid and made the basis in case of transfers or retirement.

3) We must enhance labor management and allow enterprises to dismiss staff and workers for breach of discipline, according to the "Regulations Governing Rewards and Penalties for Staff and Workers." In case of dispute, the local labor dispute arbitration committee shall conduct mediation and arbitration. Government agencies in charge of labor affairs shall expand the range of unemployment insurance to reduce resistance among staff and workers against dismissals.

4) We must actively try out shareholding systems, raise awareness among staff and workers of the significance of capital loss and profit and of the expansion of accumulation. By enlisting staff and workers as shareholders, or by establishing large "collective-character" shares in enterprises owned by the whole people, we must increase or expand the rate at which staff and workers are directly involved with the means of production, and thus promote democratization of property rights and democratization of management.

### 4. Strengthening the Ability of Enterprises for Self-Accumulation, Raising the Ability of Enterprises for Self-Development

1) Apart from the requirement of providing a sufficiently large depreciation fund as prescribed by law, large and medium-sized enterprises, after ensuring fulfillment of all their obligations to the state and with the approval of the finance and tax agencies, may appropriately accelerate depreciation of production machinery and equipment. Where conditions permit, enterprises may carry out revaluation of their assets.

2) We should institute a method of allowing enterprises every month to draw a certain proportion of the working capital use fee, according to the fixed amount of working capital provided by the state. With approval of the finance and tax agencies, they may thus effect a one-time supplementation of their working capital, to be used to bolster the working capital provided by the state. Enterprises must also withdraw a certain proportion of the

post-tax retained profits and use them to increase the working capital that is freely at their disposal. After fulfilling all contractual obligations to the state, large and medium-sized enterprises must promise to allocate a certain proportion of their sales income as technological development expenses.

3) Any increase in the depreciation fund, increase in working capital, and technological development expenditures that have been approved must be regarded as profits and must serve as a basis for assessment of performance. If such items have, contrary to regulation, not been provided in sufficient amounts or such items have not sufficiently been increased, they will at a certain ratio reduce realized profits at the time of assessment of performance.

4) To promote adjustment of the product mix, banks shall actively support technological transformations in enterprises. In the case of key development projects, the specialized banks must include a certain ratio of investment in the norm for technological transformation loans. In funds provided for the specific purpose of technological transformation in some of the key enterprises, funds which are already involved in the present production turnover, the relevant specialized bank must increase the working capital loan for these enterprises and designate this capital specifically for technological transformations. The banks shall also actively help the enterprises straighten out the irrational way in which funds are detained in "triangular indebtednesses" and to liquidate the irrational use of funds in the so-called "three types of capital." The banks should also effect the "clearing of loan linkages." They must supervise and urge the enterprises to replenish their working capital according to regulations.

#### 5. Creating an Excellent External Environment. Promoting Enterprise Development.

1) All government agencies must change their style of work, raise efficiency in handling their business affairs, and give enterprises superior service. Any capital construction project, technological transformation project, or project using foreign capital investment, requiring checking and approval within the jurisdiction of the local authority, shall separately be subjected to a one-time deliberation and joint examination by the planning commission, economic commission, and the economic relations and foreign trade commission, and each shall take responsibility in a division of labor and in as short a time as possible complete all necessary procedures.

2) In respect of supplies, marketing, and transportation, the government agencies concerned must give the large and medium-sized mainstay enterprises assurances in advance of their proper performances, all materials, energy, and funds that are to be supplied to the enterprises under the state plan must be transmitted directly to the enterprises.

3) All localities must furthermore prescribe that all enterprises which will carry out the above-stated five

principles will in future in audits and large-scale finance, tax, and commodity price investigations not be treated as violating discipline. The law and discipline agencies at all levels must do their utmost to "render protection to transportation" and must uphold the legitimate rights of those in charge of enterprise operations. All press units must, in a planned way and as demanded by the need to revitalize the enterprises, conduct well-targeted policy propaganda and introduction of model cases, must exert themselves to create within the scope of their locality a locally limited atmosphere conducive to revitalization of enterprises and intensified reform, and must earnestly promote all the various activities of the enterprises.

#### Analysis of Enterprises' Hidden Losses

92CE01568 Taiwan JINGJI WENTI (ECONOMIC PROBLEMS) in Chinese No 10, Oct 91 pp 33-36

[Article by He Lijing (6320 7787 3237), Trade and Economics Department, Shanxi College of Finance and Economics. "Enterprise Economics—Simple Analysis of the Hidden Losses of Enterprises"]

[Text] Hidden losses of enterprises have become a very conspicuous and serious problem in our present economic life. According to an investigation by a relevant agency of the over 10,000 state-run enterprises throughout the country, 63 percent of them have hidden losses amounting to 10.83 billion yuan. Among the 1,433 budgeted industrial enterprises of Shanxi Province and 883 state-run commercial enterprises, those with hidden losses account for 91.36 and 93 percent, respectively. The seriousness of the situation is frightening, and the current trend is one of a further day by day deterioration.

By hidden losses we refer to various economic losses and cases of waste which actually occur in the course of business operations of an enterprise, but which are not realistically reflected in the books, thus are not yet showing as book losses or as losses that reduce profits. They stay within the enterprise as material losses, price losses, and bad debts, and can at any moment turn into book losses or reduction of profits. They presently appear mainly in the following forms: materials in storage, listings of products, finished products, and commodities that do not exist, thus constituting inventory losses that are not properly recorded; materials and supplies in products and finished products that have already been reported as scrapped but not yet properly recorded; overstocked materials, supplies, and commodities whose costs are higher than their sales prices, the price differential being left outstanding and not being properly taken care of; expenses that should be allocated to costs are not, or not completely allocated; expenses to be withheld are not, or not completely withheld; falsely increasing profits, sales receipts are entered without entering marketing costs and expenses; production and business results are willfully adjusted; falsely increasing profits; in cost accounting, high-cost supplies are entered at low prices, and the price differential is left outstanding; bad debts, overdrafts of special funds, and



expenditures without fund resources are being left outstanding for long periods of time, etc.

In view of the fact that hidden losses are real losses that are artificially covered up, the accounts books may therefore not necessarily show a loss, and more often than not indeed show a profit. Hidden losses are therefore more dangerous than open losses.

First, the enterprise will show false economic results and thus feed erroneous information and false first-hand data to those state organs that have to make macroeconomic policy decisions. This will seriously disturb and adversely affect the scientific nature and accuracy of major economic policies formulated by the state, with consequences that are dreadful to contemplate.

Second, if the economic performance of the enterprise does not conform to actual facts, and if fulfillment of contract norms is falsely assumed, it leaves the contracted management responsibility system in actual fact bereft of the positive function that it was supposed to fulfill.

Third, it turns the primary distribution and redistribution of national income into a false distribution and an excessive distribution. The enterprise's profit is false, the state's income is false, the enterprise collects welfare funds and encouragement funds through hidden losses and false profits. False state income gives a false picture of fiscal revenue and expenditure, and this in turn will lead to a hidden double inflation, namely of investments and consumption, throughout the entire society.

Fourth, with the presence of hidden losses, the enterprise will use bank credits and the ever declining free current capital to turn over profits and taxes to the state, also to pay wages and bonuses, and this may lead not only to a gradual withering away of production and business operations of the enterprise, but will also increase pressure on the state to increase credits. In short, the present widespread large amounts of hidden losses in enterprises not only threaten the development of the enterprises, but have also direct and indirect detrimental effects on the entire finance administration and banking, as well as on the stable growth of the national economy.

Causes for the present widespread hidden losses in enterprises are very complex, but mainly of the following types:

1. The present contract system is not sound, the contract norms are not perfect and enterprise actions are shortsighted. In the last few years, the enterprises under contract are mainly checked for fulfillment of profit and tax norms, and a direct linkage is effected between profit and losses on the one side and the aggregate payroll amount on the other side, neglecting the question of preserving and increasing the value of circulating and fixed assets. To maintain profit and tax indices, acts of falsely increasing profits in violation of relevant rules and regulations are constantly increasing, and there is nobody who would check it and remedy the situation.

Finally, the contractor will not hesitate to risk equipment, risk funds, risk resources, will neglect due amortization of debts, will not properly deal with losses, but will do as he pleases in adjusting financial results, falsely increase profits, and by hook or by crook ensure that economic benefits are shown as having been achieved during the term of his contract. By falsifying accounts books, some persons in leading positions have indeed been able to demonstrate "achievements" and thereby gained promotion to important positions.

2. Enterprise management is in a chaotic condition. In many enterprises the system of inspecting raw materials and finished products that are taken into storage, the storage system, the quality control system, the system of economic accounting, etc. exist in name only, and as a result great losses are incurred as large quantities of material are lost and discarded.

3. Relevant rules and regulations do exist but are in actual practice nonexistent. Management of the economy and management of enterprises according to law is one of the major means of macroregulation and control under the conditions of a planned commodity economy. However, the way the enterprises do not implement the laws governing accounting and cost accounting procedures, the way they willfully keep false accounts, and with no one checking and investigating according to law, really has the effect of having legal provisions, such as the accounting law and the law on cost accounting set up completely in vain, and this again provides convenient loopholes for enterprises to conceal losses and to report profits where actually losses were incurred.

4. The system of providing credit funds conceals hidden losses and helps to create these hidden losses. Due to interference by local governments and the disturbances by other factors, bank credits have become a system of limitless supply. Any state-run enterprise, regardless of how large its deficit, also regardless of where its capital has gone, will without fail get its loan, as it is feared that stoppage of its production will have an adverse effect on public stability. It is therefore frequently difficult for the banks to follow the principles of the official credit policy and of proper capital management. In many circumstances they will therefore be unable to stop granting credits where no further credits should be granted, and to still give loans where none should be given, thereby virtually covering up the hidden losses in the enterprises concerned, and having these enterprises calmly and unhurriedly continue creating more hidden losses, which leads to an increasingly serious situation of continuously increasing the amount of hidden losses and the diversion of credit funds.

An earnest solution of the problem of hidden losses in enterprises has become an extremely pressing matter in present economic affairs. An effective solution of this problem must start out from the following:

1. Improvement and perfection of the enterprise management mechanism. Preservation of value and increase of the value of current and fixed assets of an enterprise should be included in the contract as a major performance assessment norm. The contractor must bear responsibility for the preservation and increase of asset values. As for hidden losses that have already been incurred, the party granting the contract must put forward specific norms for the way the losses are to be dealt with and eliminated, such norms should be added to the contract, and checks should be conducted in this respect. At the time of the year-end audit, those that have not fulfilled the norms for the preservation and increase of asset values and the norms for dealing with the hidden losses shall be subject to appropriate economic sanctions.

2. Improvement of basic enterprise management. Enterprises must link up with realities and establish a sound metrological and inspection system when taking goods to warehouse, as well as a sound internal checking system, and do a quite solid job of good basic management. We must be firmly resolved to change the state of things where raw materials are purchased without a proper plan and taken into storage without checking, also issued from the warehouse without checking, where there are no norms for consumption, and where all procedures are faulty. We must periodically take inventory of all materials, have books tally with materials and all relevant books agree with each other's data, and give a true picture of the results of the production and business operations of the enterprise in question.

3. Stiffening of legal measures for enterprise management. Enterprises must conscientiously implement all relevant legal provisions, such as the accounting law, regulations governing cost control in state-run enterprises, measures for the control of capital funds, and must strictly fulfill the provisions of their contracts. The government's finance, tax, audit, and banking agencies must check their implementation according to law, and must supervise production and business operations of the enterprises. They must make supervision and checking of whether the financial costs are truthfully reported a major point of their supervision and examination, and must immediately reveal and rectify any erroneous method whereby actual loss is made out as a false profit. They must conscientiously examine the year-end final accounts, and if new hidden losses are discovered, must readjust the final account. When the contract is fulfilled at the end of the year, the auditing agency must provide an audit finding, and the banks must strengthen business supervision and management from the side of the working capital, thereby preventing the loss of circulating capital. They must ensure by their supervision that enterprises settle each year's problem within that very year and eliminate the problem that year, so as to put an end to falsifying economic returns. Anyone who purposely fabricates false economic returns or gain by fraud economic benefits from the contract or political credit, shall, in addition to necessary economic

sanctions, be locally dismissed from office and barred from public service elsewhere. Anyone who by his action has caused the state and the enterprise a loss of comparatively large proportions shall be investigated further as to whether he is liable under criminal law.

4. Stepped up credit control, strict credit supervision. In the present economic situation of a plurality of beneficiaries and a plurality of channels providing capital, bank credit capital is more and more becoming the major source of capital funds for production and business operations of enterprises. Under these circumstances, the supervision of bank credits will become a major means for the state's macroeconomic regulation and control. Banks must intensify investigation and research and must actively report to their local governments and relevant departments the hidden loss situation of the enterprises, must make suggestions to cope with the situation, and must provide informative data for the scientific decisions of the leadership at all levels. At the same time, they must enhance credit control. In the case of enterprises whose hidden losses are in excess of the working capital provided them by the state as well as in excess of their own free working capital, and who do not apply effective measures to remedy the hidden loss situation, the banks must stop further credits to them and gradually recover past loans from them. In the case of enterprises whose hidden losses do not exceed the working capital provided by the state and also not their own free working capital, who actively adopt measures to reappraise their fixed assets and circulating funds, and who try to eliminate their hidden losses, the banks may continue loans on the current scale, and renew loans that fall due, encouraging the enterprise to solve its capital fund difficulties by tapping potential and accelerating capital turnover. Enterprises without hidden losses and good sales of their products shall be actively supported with respect to their need for working capital. The local governments shall support the banks in their operations according to the principles of the official credit policy and of good capital management, unwarranted interference must be avoided by all means.

#### Problems Managing Enterprise Groups

92CE0160A *Bringing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No. 10, 5 Oct 91 pp 61-63*

[Article by Liu Zishen and Wei Zhiyong, "Questions on Providing Separate Plans for Enterprise Groups"]

[Text] After implementation of the "Provisional Regulations on Providing Separate Sections for Large Industrial Joint Enterprises in State Plans" promulgated by the State Planning Commission with the approval of the State Council in April 1987, beginning this year, the concerned state departments have on separate occasions approved providing separate sections for 55 enterprise groups in State Planning Commission and other general department plans.

The so-called providing separate sections in plans is to remove planning over such main items as production, materials, investment, labor and wages, and finance for enterprise groups from the plans of their previous supervisory bodies, or regions, and have state planning departments exercise direct comprehensive balancing. Correspondingly, enterprise groups generally will have greater autonomy in planning and management than ordinary enterprises. In issuing mandatory tasks to enterprise groups, the state will also provide main production conditions such as funds and materials. In terms of macroeconomic management, by providing separate plans, the state can directly control a certain number of enterprise groups, thereby enhancing macroeconomic management, and improving direct regulation and control. In a certain period, this can be an effective measure to ensure the success of key state projects and readjust the industrial structure.

In terms of enterprise groups, providing separate sections in the plans of the general departments of the state is to some extent conducive to breaking the administrative supervisory relations characterized by "departmental ownership" and "regional ownership" formed under the old system, and also facilitates strengthening horizontal economic ties between enterprises, promotes the optimum combination of production factors, and somewhat expands enterprise management autonomy and information channels.

According to an investigation, providing separate plans most importantly expands enterprise groups management autonomy. For example, autonomy regarding an investment of under 30 million yuan; the right to import items under \$5 million; the foreign trade right to conduct independent export operations; the right to organize finance companies and related fund-raising; the right to participate in specialized meetings of the State Planning Commission and other general departments, and the right to get documents and information, etc. These rights are important guarantees to develop enterprise groups.

In the absence of reform of the macroeconomic management system, providing separate sections is a "beneficial, and effective" measure to expand enterprise autonomy. However, because of the absence of major systemic reforms, enterprises have not yet formed their management mechanisms for "self-development," and have difficulty breaking away from the confines of the old system. Therefore, there are many contradictions.

1. Severely affected by the "absence of three changes," it is difficult for enterprise groups to fundamentally break away from the principles of barriers between higher and lower levels, an enterprises' subordinate relationships, and channels for financial delivery and ownership, as a result, it is difficult for enterprise groups to form a tight layer, with a few groups being "empty shells." In this way, it is difficult to implement state plans in subordinate enterprises through the break down of enterprise groups.

2. Constrained by diverse interests, it is difficult to achieve the goal of providing separate sections in plans. This point is particularly prominent in the following: Planning over financial resources, credit, foreign trade, personnel, science and technology, and education for some separate plan enterprise groups is still, to some extent, not included in separate plans. At the same time, enterprise groups are at a loss about what to do, when supervisory departments and localities have different interests, and have no one to turn to for help, when confronting difficulties. For example, because the financial plan for the Western Electric Corporation was not included in a separate plan, this led to conflicts between fulfilling state production plans and technological transformation, and fulfilling local tasks of financial delivery, thereby putting the enterprise group in a quandary.

3. Enterprises have yet to form a self-development management mechanism, providing separate plans is still an administrative measure, and is to a large extent a manifestation of the will of the plans themselves. On the one hand, by providing separate plans, using administrative measures to intervene in the enterprises' normal operation and management on such matters as production plans, price, and enterprise management orientation, restricts enterprise development. On the other hand, if enterprises listen to their supervisory department superiors, and have good operational environment, this can enhance the enterprises' state-dependency mentality, and is not good for the long-range development of large enterprises.

The above-mentioned contradictions have not been fundamentally solved in the last few years' practice on providing separate plans. According to a source, the State Council has recently decided to gradually organize and develop a batch of large enterprise groups. These large enterprise groups will still implement the principle of "providing separate state plans, and entrust responsible industrial departments." If so, there will appear some new contradictions.

First, after "entrusting management to responsible industry departments," trial suggestions on enterprise group development and production plans will be proposed by responsible departments. General state departments concerned will carry out comprehensive balancing on these trial suggestions, and then issue the plans to enterprise groups through the industries' competent departments. Thus, as for problems which enterprises with separate plans encounter in the process of production and operation and which require coordination efforts on the part of the state institutions, it is necessary, correspondingly, to have first the responsible departments assume responsibility for providing solutions. Problems that cannot be solved by responsible departments will then be submitted to the general departments concerned in the State Council to assume responsibility for providing solutions.

Second, the new round of providing separate plans gave prominent emphasis to the "six unifications," that is,



enterprise groups should implement internally, unified operation and management regarding "manpower, finance, materials, production, supply and marketing." Under the existing system, in the absence of major coordinated reforms of the macroeconomic system, there are still many problems with regard to enterprises' internal system of operation and management, and it is difficult to predict whether the "six unifications" can be achieved. Even if the "six unifications" is accomplished through administrative means, it is then inevitable that conflicts between enterprises and localities, and between localities and the center will exacerbate, resulting in the end in a quandary for enterprises. In this process, especially unification and taking back of decision-making power regarding finance will bring about important changes in finance, tax and credit. Presently, reform in this area has not made significant progress.

Compared with the method for providing separate plans in practice in previous years, the principle of "providing separate sections in state plans and management being entrusted to responsible industry departments" gives even more emphasis to the management role of the responsible industry departments. Analysis of the principle itself, in the future responsible industry departments can exercise direct regulation and control over enterprise groups with separate plans, by employing substantive power relating to "manpower, finance and materials." The Planning Commission can issue through industry departments to enterprise groups mandatory plans and plans for large-scale capital construction, and technical renovation projects, thereby directly manipulating the production plans and investment scales of a group of enterprises, and enhance unified central regulation and control. At the same time, with the gradual accomplishment of the "six unifications," part of local financial benefits will also be collected, taken back and delivered annually. Such a way of doing things, obviously is different from the last few years' practice of "reducing the state's management layers, and expanding enterprises' power," will exacerbate the conflicts of interests between enterprises and localities, and between enterprises and other general departments, and can affect the market's normal functioning, through the changes in administrative regulatory measures.

We believe, generally speaking, providing separate plans is patching-up work within the confines of the old system, and represents a change in form for administrative planning means; therefore, it conflicts with many measures and ideas that emerged in the process of continuing reform.

First, providing separate plans still leaves enterprises (enterprise groups) in the position of being subordinate to state institutions, and strengthens the enterprises' dependence on administrative bodies. To enterprises, providing separate plans means planning becomes the responsibility of the center, but planning power still shifts between the center, the localities and responsible industry departments. There is no change in the enterprises' subordinate relations to administrative bodies, on

the contrary the number of management layers increase. Because the general departments concerned of the state still maintain certain plan relations with enterprises, they can still intervene in enterprises' internal matters with administrative means.

How do the enterprises view the increase in the number of "mother-in-laws"? Some enterprises believe: "Superior bodies are all my 'mother-in-laws'; neither can one offend them nor can one live without them." Some enterprises say: "We have about 200 people stationed in the capital in charge of seeking approvals and burning incense. The general manager spends as much as three to four months a year in the capital shuttling between departments. How can one bear all this?" Obviously, providing separate plans has not yet liberated enterprises from numerous types of administrative intervention.

Second, providing separate plans still falls within the practice of managing enterprises through administrative means and on a plan model. In the process of providing separate plans, such measures as plans, sizes and "investment size" are used to directly regulate and control enterprises, which are harmful to the transformation of the enterprises' management mechanisms and government functions regarding macroeconomic regulation and control.

Practice has proven that to fully revitalize enterprises, it is necessary to push enterprises toward markets, and use competition mechanisms to urge enterprises to improve the business situation, and raise economic efficiency. Correspondingly, the state must also adopt mainly economic measures to achieve comprehensive market balance. In practice, 98 percent of enterprise plans are mandatory plans. For some enterprises, the state based on the market situation, suddenly orders a significant cut in mandatory plans, thus enterprises cannot adapt to the situation. For instance, the Second Automobile group received a 35 percent cut in mandatory plans in 1989 over 1986. As a result, former state enterprises had to become market-oriented, and enterprise were not at all equipped to adapt to changes in market demands for manpower, materials, finance, and capabilities for sustained development. If such a situation is not gradually changed, enterprises will not be able, in the future, to confront the market, and become relatively independent commodity producers. The state will be unable to play the role of keeping comprehensive economic balance.

Further, because administrative planning often deviates from the objective demands of economic laws, enterprises often fail to obtain right returns and compensations, by producing according to mandatory plans and by investing according to planned scales. This dampens the enterprises' enthusiasm, and harms enterprises' capability to sustain development.

Third, providing separate plans creates artificial obstacles to expanding the enterprise groups' power, and

exacerbates unfairness in competition between enterprise groups. Now, too little autonomy for large state-owned enterprises is one of the basic problems affecting the enterprises' vitality. To invigorate enterprises, especially large enterprises, it is necessary to delegate power widely, so that every enterprise has management autonomy. But providing separate plans makes "separate" the precondition for expanding power. Only enterprises that are granted separate plans will be given greater power, and other enterprises can do nothing at all. This restricts the scope for expanding power, and deviates from the basic demand of invigorating large- and medium-sized enterprises. As a result, not only is there no change in the inequality between enterprises with "foreign funds," collective enterprises, and enterprises owned by the whole people, and operational conditions, there also occurred unequal competition conditions between small enterprises, medium-sized enterprises and large-enterprises owned by the whole people. The operation of enterprises under the condition of unequal competition, on the one hand, deals serious blows to the drive of some enterprises. On the other hand, further complicates the disorder in enterprise operations, thereby causing even more difficulties for the state's comprehensive balancing.

Fourth, the existing policy environment makes it difficult to fully implement providing separate plans, in particular, enterprise groups are greatly affected by inter-departmental difficulties, and are thus in a quandary. Because enterprises are subordinate to administrative departments, conflicts of interests and conflicts in operations between departments are often transferred to enterprises, enterprises have a good policy environment sometimes and a bad policy environment sometimes, have more power sometimes, and less power sometimes, and have power sometimes and no power sometimes, and live in a precarious situation.

According to some enterprises, power delegated since 1989 is being taken back continuously. Industries have taken back the right to import items under \$5 million and the autonomy to start projects under 30 million yuan. After the establishment of investment companies, enterprises have to seek approval on projects of 100,000 yuan. According to some enterprises, at the time of weak markets, material departments do not give any help, and enterprises have to shoulder the risks. As soon as there is an upturn in the market, material departments exert control again. If such a situation should go on, enterprises become very worried.

According to investigation results, enterprise groups with separate plans have somewhat enhanced their capabilities, but are far from showing enough vitality. Large enterprises that implement power-delegating measures, and continue reforms in recent years, such as the enterprises owned by the whole people of the Saise group in Shenzhen, the Wanbao group in Guangdong and Capital Steel, have demonstrated great vitality. This really deserves thorough thought and study.

### Studies Predict Economic Recovery, Stability

OW1812114991 Beijing XINHUA in English  
0915 GMT 18 Dec 91

[Text] Beijing, December 18 (XINHUA)—1992 will see further recovery and stability in China's economy, predict scientific studies by Chinese experts.

The experts say that China's economy is expected to increase by 6 to 7 percent in both GNP (gross national product) and national income next year, with the agriculture output value rising by 3 to 3.4 percent, the industrial output value by 10 to 13 percent, and the social fixed assets investment by 13.4 percent, they say.

Based on the mathematic model analyses by Chinese experts, papers presented by experts from various economic departments and research institutes hold China is expected to maintain a steady growth next year. Such growth can match this year if effective macro control measures are taken.

The experts point to the current favorable conditions characterized by normal growth rate, greater improvement in relations between supply and demand, ample market supply, effective inflation control, stable growth in import and export, and steady income increase for both urban and rural residents. Therefore, the experts noted that deepening reform should be the basic economic policy for China in the year 1992.

Meanwhile, the experts believe that the 20 detailed measures by the government to invigorate large and medium-sized state-owned enterprises will help improve economic efficiency.

If the weather conditions are favorable for agriculture growth next year, the per unit grain yield is expected to rise by 5 to 7 percent and the total grain output is expected to match or surpass that of 1990. The record high so far, experts from the Chinese Academy of Meteorological Sciences said. State revenue in 1992 will increase by 10 percent over 1991 if effective approaches are taken. Expenditure is estimated to rise by 9 percent, thus cutting down the deficit level.

According to an official from the State Pricing Administration, the growth of prices for retail sales in 1992 will match those of 1991 and it's unlikely to see much chance of inflation, he said.

To sum up, experts suggested that measures be taken to maintain proper speed, re-adjust structure and improve efficiency to attain steady and healthy development.

### PROVINCIAL

#### Jiangsu Enterprises Invest Overseas

OW0612100291 Beijing XINHUA in English  
0702 GMT 6 Dec 91

[Text] Nanjing, December 2 (XINHUA)—Jiangsu Province, east China, has undertaken 150 economic and

technical cooperation projects overseas using an investment of 800 million yuan, and 674 engineering and labor service items completing a business volume of 480 million U.S. dollars, according to local officials here today.

As part of its effort to improve large and medium-sized enterprises, Jiangsu, one of the richest provinces, has urged local firms to open overseas branches, establish joint ventures or purchase foreign factories and stocks.

The Nanjing Radio Factory, one of China's key enterprises in Jiangsu, has established two joint ventures in the United States.

It developed a 900 megahertz portable communicator in cooperation with foreign partners.

The factory now has an annual export volume of over 10 million U.S. dollars, and its sales volume is growing at an annual rate of 30 percent. Its total sales volume is expected to reach over 1.4 billion yuan in 1991.

Meanwhile, the Nanjing Chemical Corporation has steadily improved its management and has contracted a number of projects in foreign countries.

The corporation designed and constructed a fertilizer factory in Albania which has an annual output of over 100,000 tons of urea per year.

The corporation used computers to control all stages of construction and as a result completed the high quality project months ahead of schedule.

#### Anhui Authorities Successful in Flood Relief

92CE0217A Hefei ANHUI RIBAO in Chinese 22 Nov p 1

[Article by Guang Ming (0342 2494): "With Concern and Support of the CPC Central Committee and the State Council Anhui Flood Relief Work a Great Success"]

[Text] The concern of the CPC Central Committee and the State Council, the vigorous support of the People's Liberation Army (PLA) and the people nationwide, the active help of international societies, and the arduous and difficult struggle of the cadres and masses saw Anhui's thousands and thousands of flood victims smoothly through the massive flood emergency. The appropriate arrangements were made for the daily needs of the flood victims, post-flood production is now rapidly being restored, and everywhere is a scene of vitality. Flood relief was a great success. Up until now there has been no starvation, no epidemics, and no exodus of flood victims. The "four no's" goal of the CPC Central Committee and the State Council will hopefully be realized totally.

In the middle of July, after Anhui won a decisive victory in the struggle to combat the flood, based on the plans of the CPC Central Committee and the State Council, the

provincial party committee and government quickly shifted the focus from combatting the flood and flood relief to flood relief alone. The provincial party committee and government adopted a series of emergency measures, made emergency arrangements for flood victims, and improved epidemic prevention and health care in the flood area. In mid-August, the State Council called a meeting of those offices involved in relief work in Anhui to study plans for relief work in Anhui and direct the maximum amount of funds and materiel to relief work. The provincial party committee and government rapidly transmitted and implemented the spirit of the State Council's conference and formulated and forwarded overall plans for flood relief throughout the province on the basis of a comprehensive assessment of the disaster situation. During the past three months, all provincial levels have successfully established disaster relief measures focusing on "one providing" (providing relief food and money) and "three battles" (constructing winter housing for flood victims, disease prevention and health care, and draining off water and rush planting).

—Disaster relief food and money are basically in place and suitable arrangements have been made for the daily needs of flood refugees. By the end of October, more than 1.2 billion yuan in flood relief funds (not including contributions made directly by local areas, cities, counties and related departments) had been received from the CPC Central Committee and other areas. This has all been allocated to local areas, cities, and counties depending on the area and level of responsibility. Arrangements have been made for relief food on the basis of the principle of greatest need, arrangement by sections issuing ration certificates to households, and monthly supply, ensuring that especially needy flood victims receive 0.5 kg of trade grain per person daily. In the process of handing out relief grain, depending on the severity of flood damage, local areas implemented individually the four methods of matched or semi-matched money and grain, sales of rationed grain at proportional prices, loaned grain and unlimited supply of negotiated price grain. By the end of October 2.995 million households of 15,003,320 persons received ration certificates, grain ration funds of 390,983,009 yuan were allocated, and 890,000 flood victims who were engaged in raising livestock in the flood area were basically set until next year's mid-year harvest through matched money and grain. Throughout the province 274.5 million kg of relief grain was sold, flood victims borrowed 10 million kg of grain, the 2,434 grain depots in the flood area supplied 16,443,700 kg of negotiated price grain, so the problem of grain ration for flood victims has basically been solved.

The goal of "no post-disaster epidemics" has been achieved in a preliminary way, so disease prevention and health care work has clearly been a success. In July and August there was an increase in the number of outbreaks of some contagious diseases such as enteritis. However, just as the health and life safety of the masses faced a



serious threat, province-wide emergency mobilization organized over 2,700 medical teams and epidemic prevention teams that dispatched over 37,000 medical and epidemic prevention personnel who diagnosed and treated over 40 million people. At the same time, a patriotic public health movement directed towards flood relief and disease prevention rapidly developed in cities and towns across the province. The double effort of prevention and treatment effectively controlled the spread of disease. By September, the incidence of disease in the flood area had declined and the incidence of disease in October had dropped 39 percent compared with July.

—Reconstruction of homes is progressing rapidly and flood victims have reliable guarantees of getting through the winter safely. By 11 November, construction sections and Anhui construction departments had sent over 2,000 engineers and technicians as well as teachers and students from construction schools to help carry out plans to build villages and townships in the flood area. Throughout the province 1.13 million jian [7035] of housing (including sheds) have been built for flood victims, which amounts of 68.6 percent of the damaged housing that had to be built; 490 thousand houses for flood victims have been built or 98 percent of all the houses damaged.

The problem of clothing for the flood victims to get them through the winter has also basically been solved. With the urgent concern of the CPC Central Committee and the State Council, in just one month central party and government agencies and Beijing Municipality contributed over 7.71 million items of clothing and bedding to the flood area in Anhui, and with the addition of the items contributed by cities in Anhui and the cadres and masses of Anhui themselves, up to now the flood area of Anhui has received a total of 18.7 million items of clothing and bedding, including 3.18 million pieces of cotton-padded clothing and 758 thousand cotton bed quilts. This clothing and bedding has been placed in the hands of the flood victims and five guarantee households, members of martyr's and soldier's families, families in especially desperate straits, ordinarily hard-pressed families and people severely affected by the flood.

—Preventing the exodus of flood victims has been a success. Once flood relief work began, the provincial party committee and government placed heavy stress on work to prevent an exodus of flood victims, convened many meetings to study responses and measures and carried out many mobilizations and deployments. Currently, the province and the local areas have established coordinating groups and working bodies for preventing the exodus of flood victims and have improved guidance of this work. While carrying out ideological education, advising people not to leave and to go back, and housing work, local areas have also arranged for the production and daily needs of the flood victims, organized self-support and self-help by

engaging in production in many forms, such as providing work as a form of relief and labor service export so that flood victims have work to do. Up to now there has been no sizeable outmigration.

—Self-support and self-help by engaging in production is underway on a widespread basis to minimize the losses of those affected by the flood. In agriculture, local areas are stressing rush planting of supplemental late crops in over 13 million mu, so the drop in this year's fall harvest and the gross value of agricultural production will be smaller than forecast earlier. As for autumn sowing of summer grain crops under severe drought conditions, drought resistance rush planting and seedling protection was carried out vigorously. By 15 November 31.38 million mu of summer grain had been planted, 89.7 percent of the plan, and 12.390 million mu of rape had been planted, 102.6 percent of the plan. In restoration of production, industrial and sideline production was actively launched to fight the flood by supplementing agriculture with industry. Provincewide 2,120 enterprises above county level and 15,441 township and collective enterprises that had stopped or partially stopped production because of the flood have now basically gone back into production. By the end of October, throughout the province industries at the rural level and above had a cumulative completed value of production of 51.24 billion yuan, an increase of 11.7 percent over the same period last year.

## FINANCE, BANKING

### Industrial Bank Funds Scientific Development

OW 2012030091 Beijing XINHUA in English  
0225 GMT 20 Dec 91

[Text] Beijing, December 20 (XINHUA)—The Industrial and Commercial Bank of China has made great efforts to help the development of science and technology by issuing loans for the purpose in recent years.

Its loans have played a big role in the application of scientific achievements to production.

From 1984 to September 1991, the bank extended scientific and technological development loans totalling 6.87 billion yuan (about 1.37 billion U.S. dollars) to fund 29,000 research projects.

According to statistics, the 23,500 research projects which have already been put into production have increased production value by 34.4 billion yuan, and profits and taxes by 5.9 billion yuan.

The bank's loans have also been used in helping the defense industry develop civilian production.

### Bank Provides More Loans to State-Owned Firms

OW 2012044991 Beijing XINHUA in English  
0314 GMT 20 Dec 91

[Text] Beijing, December 20 (XINHUA)—The Industrial and Commercial Bank of China loaned 73 percent of its 23.3 billion yuan portfolio (about 4.5 billion U.S. dollars) earmarked for technological innovation to large and medium-sized state-owned enterprises this year.

Statistics released by the bank, one of the major banks in China, show that a growing percentage of loans intended to spur technological innovation have been given to large- and medium-sized state-owned enterprises as part of a nationwide effort to invigorate the backbone of the national economy.

The bank made a decision early this year to give over 60 percent of such loans to large- and medium-sized enterprises during the Eighth Five-Year (1991-1995) Plan period.

Large- and medium-sized enterprises in China received 34 percent of loans made for technological innovation given by the bank last year.

The Chinese Government has mapped out a series of preferential measures to improve performance of China's large- and medium-sized enterprises in recent years.

### Construction Bank To Issue Bonds

OW 2112074291 Beijing XINHUA in English  
0713 GMT 21 Dec 91

[Text] Beijing, December 21 (XINHUA)—The People's Construction Bank of China will issue bonds worth one billion yuan next year, according to the Shanghai-based LIBERATION DAILY (JIEFANG RIBAO).

The bank will also issue special bonds for enterprises next year, the paper reported.

According to bank statistics, it has issued various kinds of bonds worth a total of 2.488 billion yuan this year, and all of them have been sold.

The proceeds have been mainly used for infrastructure construction and for pushing the country's financial reform. The bonds were sold directly to individuals and enterprises, in a departure from the old practice of issuing government bonds mainly through its administrative system.

## MINERAL RESOURCES

### Shanxi Opens 4 Million-Ton Coal Mine

OW 1612141591 Beijing XINHUA in English  
1345 GMT 16 Dec 91

[Text] Taiyuan, December 16 (XINHUA)—The country's largest coking coal producer, the Gujiao coal field in

northern China's Shanxi Province, put into production today another four million-ton coal mine.

The Donggu Coal Mine, located to the north of the province's capital city of Taiyuan, has an annual production capacity of four million tons of quality coal for making coke. The new coal mine, as well as three other large coal mines put into production earlier in the Gujiao coal field, has boosted the annual production capacity of the coal field to 12.30 million tons of quality coal.

The Gujiao coal field, with a designed capacity of 16.5 million tons, is now under construction with an energy loan from Japan. It is estimated that the total deposit of the coal field is approximately five billion tons.

The newly opened coal mine began to be constructed in September 1985 with the second dispatch of the energy loan from Japan. The total investment of construction has reached 571 million yuan. It is one of the most advanced coal mines in the country. All the excavation equipment in the mine is imported from Sweden and the United States. It will have a lifetime of 116 years.

### Bureau To Continue Large-Scale Gold Mining

OW 0801112092 Beijing XINHUA in English  
1043 GMT 8 Jan 92

[Text] Beijing, January 8 (XINHUA)—China is going to continue large-scale gold mining so as to further uplift gold output and make gold mining businesses more efficient.

Xu Daquan, director of the State Gold Mining Bureau, said that the state will set the operation scale for gold mines which started operation in the 1991-95 period according to the reserves of gold resources and make better planning for key gold mines.

He made the remarks at a national gold mining conference.

Xu also said that the bureau has formulated temporary regulations for large-scale gold mines and has decided on the production capacity for 30 gold mining projects undergoing technological renewal in the 1991-95 period.

Small- and medium-sized gold mines, which account for 88 percent of the country's total, have long been baffled by a low utilization rate of resources, high mining costs, and low efficiency.

To ensure that large gold deposits are mined on a large-scale, the bureau has made overall development plans for several large- and medium-sized gold mines since 1990.

### Gold Production Plan 'Ahead of Schedule'

HK0701152292 Beijing RENMIN RIBAO in Chinese  
2 Jan 92 p 2

[By Huang Jing (7806 7234): "China's Annual Plan for Gold Production Achieved Ahead of Schedule"]

[Text] China completed its annual plan for gold production 40 days ahead of schedule. Nineteen provinces (regions and cities) including Shandong and Henan exceeded their annual targets while more than 40 key mines including Zhaoyuan, Xincheng, and Jinchangyu completed their plans ahead of schedule and with fairly high increases. Efforts to vigorously develop the state's mining operation, suppress individual mining, emphasize scale operations and shorten exploration cycles, mines construction cycles, and production period ensured the smooth progress of the gold production endeavor.

## INDUSTRY

### State To Control Air Conditioner Production

HK2712111491 Beijing CHINA DAILY in English  
27 Dec 91 p 2

[By staff reporter Wu Yunhe: "Tight Rein on Air-Conditioner Output"]

[Text] Strict control is to be exercised in the country over production of air conditioners for household use in the next four years.

The step is aimed to avoid blind production which could cause an excessive supply of poor quality products on the domestic market, said Xu Rongkai, vice-minister of Light Industry, at a news conference in Beijing.

Economists believe household air conditioners will be best sellers among electrical appliances during the next few years.

"This anticipated trend calls to mind the over-production of poor-quality household refrigerators in China over the past few years," he said.

The increased competition and lack of reliable technology caused hundreds of manufacturers to lose money and consumers to cry out for their consumer rights, he said.

The air conditioner producers must take effective measures to update technology and improve management in order to ensure strong competitiveness at home and abroad, he said.

Efficiency, economical use of energy and raw materials and low-noise will be priorities in production, he added.

The minister also urged that the industry should keep an eye on the foreign markets while developing its technology and production.

No new projects can be set up without a production licence issued by the ministry.

New Products will have to pass the ministry's strict quality examination according to the relevant government-set targets before they are put on the market, he noted.

China now has more than 70 air conditioner manufacturers, most of them small scale in production terms, with a total annual output capacity of some 1.5 million.

### Petrochemical Industry Makes Marked Progress

OW2612090191 Beijing XINHUA in English  
0700 GMT 26 Dec 91

[Text] Beijing, December 26 (XINHUA)—China's petrochemical industry, a mainstay of the national economy, has made great strides this year, increasing production by over eight percent, a bit faster than the average growth rate of the last Five-Year Plan Period (1986-1990).

Sheng Huaren, president of the China Petrochemical Corporation (SINOPEC), told a national work conference on the petrochemical industry that the industrial output value for this year is expected to reach 72 billion yuan (13.3 billion U.S. dollars).

Sheng said that the corporation is expected to turn over 18 billion yuan (3.3 billion U.S. dollars) to the state. The figure is 1.5 billion yuan more than originally planned for this year.

The industry's 13 refineries, mostly in coastal areas, processed 10 million tons of crude oil imported from eight countries. The imports of crude oil were 4.8 million tons more than last year.

The corporation has absorbed 750 million U.S. dollars this year for importing up-to-date technology and advanced equipment. This included government loans, export credits and syndicated loans provided by foreign governments and international financial institutions.

Sheng said the corporation has signed a number of contracts for construction projects and labor services in the Soviet Union, Indonesia, Bangladesh and Hong Kong. The contracts were valued at 28 million U.S. dollars.

Exports of petrochemical products are expected to hit one billion U.S. dollars by the end of this year including 251 million U.S. dollars worth of products directly exported by the corporation.

SINOPEC, an umbrella corporation established in 1983 and involved in the comprehensive utilization of oil resources, now has fixed assets worth 80 billion yuan (15 billion U.S. dollars) and 69 subsidiary organizations and enterprises scattered throughout the country.

He said investment in the industry's capital construction amounted to 7.2 billion yuan (1.3 billion U.S. dollars) this year and funds granted for technical renovation projects reached 407 million U.S. dollars.

At present, the industry has put 21 petrochemical installations into production and 19 installations have been completed and gone into trial operation, he added.



Preparations for 18 priority projects listed in the Eighth Five-Year Plan period (1991-1995) are now in full swing.

### **Largest Varistor Production Line Operational**

HK2412094291 Beijing CHINA DAILY in English  
24 Dec 91 p 2

[By staff reporter Ma Lie: "High-Grade Varistors in Xian"]

[Text] Xian—A production line for zinc oxide varistors, the largest of its kind in China, was put into operation over the weekend in Xian, capital of China's Northwest Shaanxi Province.

The zinc oxide varistor is a variable resistor which protects high-precision electronic products and electrical equipment from being damaged. The product is widely used in military equipment, space flights, communication and household appliances.

Construction of the production line, one of the key projects set by the State and provincial government for the Seventh Five-year Plan period (1986-90), was officially started in March 1989, with technology introduced from Hong Kong Cood Fong Company and Taiwan Don's Enterprise Co Ltd, according to Shi Jingshui, director of Xian No 2 Radio Factory.

Shi said the line was designed to produce 40 million zinc oxide varistors in 12 varieties a year.

The trial products have been tested and approved by the State. Its quality matches the level of the products made by Matsushita Co of Japan in the late 1980s. The product has also caught the attention of the American UL (United Laboratories), an authorized inspection organization for electronic products, and sells well both at home and abroad, Shi said.

According to Shi, the production line is the largest of its kind now in China.

### **Chongqing Industry Seeks International Markets**

HK2412125191 Beijing CHINA DAILY in English  
24 Dec 91 p 4

[By Yang Yi: "City Bucks Geographic Isolation To Seek Place on Industrial Map"]

[Text] Although land-locked in the hinterlands of Western China, Chongqing has become the largest industrial city in the area and is now trying to cross geographical barriers into the international market.

Tapping rich scientific and technological potential is at the top of the city's development agenda, Chongqing mayor Xiao Yang said.

The city's industrial output value was 131.5 billion yuan (\$25 billion) in 1990—the fifth of all Chinese municipalities behind Shanghai, Tianjin, Beijing and Guangzhou.

"Although we are more than 2,000 kilometres away from the coastal lines, we have our advantages: 360,000 scientists, engineers and technicians, 36 universities and some advanced labs," Xiao said.

Because the city cannot compete with the coastal areas in processing bulk goods for foreign businesses, Chongqing is co-operating with the outside world on technology, he said.

Scientists in Chongqing have developed a state-of-the-art circuit used in video sets and have launched a joint-venture programme to produce the circuit with Americans, Xiao said.

Another example of successful co-operation between Chongqing and Western businesses is the Chongqing-Cummings Engine Factory, which produces 2,000 Cummings engines annually. Cummings, an American company, provides some parts, along with technological and management know-how. Chongqing supplies the rest: equipment, management, engineers, technicians, and materials.

The city is also restructuring its well-developed arms industry for civilian use.

Honda and Yamaha both took over arms factories, which are now used to produce 500,000 motorbikes annually, Xiao said. Other arms factories are now making refrigerators, railway cars and bicycles. Even missile factories want to produce civilian products, he said.

Although Chongqing is relatively isolated, its geography has advantages that would make it attractive to investors.

The city stands at the confluence of the Yangtze and Jialing rivers, which makes it the hub of all the main waterways in Sichuan Province, China's largest agricultural province and most populated.

Chongqing is also rich in resources. It produces a surplus of coal, which it transports to other parts of the country. "In this regard, we are better off than other major industrial centres in coastal areas such as Shanghai, Tianjin and Guangzhou," Xiao said.

In addition to pursuing international co-operation, Chongqing sees Southwest China, with its 200 million population, as a vast market for its products.

To this end, the municipality has invested large sums in building modern communication infrastructures such as highways, bridges, airports and harbours.

"Things in this regard are much better off than just a few years ago," Xiao said.

Despite Chongqing's long fog season—October through May—the newly-built Jiangbei Airport is geared to operate 300 days a year. Shipping companies are tapping the Yangtze River waterways, giving the city a direct

outlet to the Pacific Ocean. Now, freighters sail directly to Shanghai, Tianjin, Hong Kong, Taiwan and South Korea and back, Xiao said.

Still, Chongqing made its biggest step out of isolation when in November 1990, it opened the 1.5 square-kilometre Nanping Economic and Technological Development Area.

Designed to attract foreign investors and advanced technology, the development zone epitomizes the city's opening to the outside world.

Before the zone began construction in 1985, more than 100 joint-venture and solely foreign-investment enterprises were scattered across the city. Traffic problems and insufficient water and electricity often hindered the operation of these enterprises. Jin Ge, director of Administrative Office of the Nanping Economic Development Area, said.

But with the new economic zone came new water works, a new power plant with the generating capacity of 720,000 kilowatts, advanced communication and telecommunication facilities, modern highways and abundant gas supplies.

The zone is also establishing a less traditional management structure that boosts efficiency and eliminates red tape, Jin said.

Before, an application for running a Karaoke bar had to go through 65 government departments and agencies and be stamped with 65 official seals. Land requests for construction needed 127 seals.

So, the zone's first step toward simplified official procedures, Jin said, is reducing the number of seals.

An application for running a joint venture now needs only one stamp: the Office of Nanping Development Zone.

The zone especially wants to attract investments in high-tech products, Jin said, but does not receive high-polluting or energy-consuming industries.

### Chemical Industry Records Steady Growth

OW 2112145491 Beijing XINHUA in English  
1427 GMT 23 Dec 91

[Text] Beijing, December 23 (XINHUA)—The total output value of China's chemical industry for 1991 is expected to exceed 150 billion yuan, up 9.4 percent over 1990.

According to a working conference of the Ministry of Chemical Industry which opened here today, the industry's profits and taxes are expected to reach 13.5 billion yuan, a 3.5 percent rise over last year.

Sixteen major chemical products listed in the state plan have fulfilled this year's targets, while 15 of the 16 have witnessed production increases.

Production of chemical fertilizer will surpass 19.2 million tons for the year, a four percent rise, while the output of insecticides will exceed 230,000, a 5.5-percent increase over last year.

Some 14 large and medium-sized chemical projects have gone into operation during the year, while construction has begun on 17 new projects.

At the same time, the ministry has signed a number of cooperative agreements with chemical plants in Italy, Switzerland and Norway.

The structural reform being carried out in the chemical industry has yielded good results during 1991, and the popularity of highly effective, multi-functional compound chemical fertilizers has increased dramatically amongst farmers.

### Nation's Largest Steel-Smelting Furnace To Open

OW 2112222391 Beijing XINHUA in English  
1611 GMT 21 Dec 91

[Text] Zhengzhou, December 21 (XINHUA)—A 90-ton superhigh power steel-smelting electric furnace, the largest of its kind in China, made a successful trial operation today in the Wuyang Iron and Steel Company in central China's Henan Province.

The computer-controlled electric furnace rated at 60,000 kilovolt-ampere (kva) was imported from Austria and is up to the international level in steel-smelting technology. It can shorten steel-smelting time and reduce consumption and improve steel quality.

The company is now the country's important production base manufacturing super thick steel plates.

In order to meet increasing domestic demand for special steel, the state approved an investment of 410 million yuan to expand the company's steel-smelting system, which includes the electric furnace and a continuous casting machine.

Completion of the electric furnace will increase the company's annual steel production capacity by 370,000 tons. The company will have an annual production capacity of 300,000 tons of steel and 400,000 tons of steel plate and can meet the domestic need for various kinds of super thick steel.

### Automobile Body Manufacturing Joint Venture Built

OW 2012143191 Beijing XINHUA in English  
1316 GMT 20 Dec 91

[Text] Xiamen, December 20 (XINHUA)—Construction at the Xiamen Jinlong Automobile Body Company Ltd, a joint venture between two companies from China and a Hong Kong firm, was completed here today.

The Jinlong company will be jointly operated by the Xiamen Motor Industry Company, the Luoshou Automobile Plant, and a Hong Kong firm. The plant, which was built at a cost of over 75 million yuan, covers 35,000 square meters (sq m). The plant's punching, welding, moulding and materials workshops cover 19,000 sq m.

The Jinlong plant has a designed annual production capacity of 30,000 automobile bodies for eight-ton passenger and freight vehicles, and one-ton freight vehicles.

Construction of the enterprise began in October 1990.

## SMALL-SCALE ENTERPRISES

### Township Enterprise Products Enter World Market

OW2312040491 Beijing XINHUA in English  
0322 GMT 23 Dec 91

[Text] Beijing, December 23 (XINHUA)—Township enterprises in Tangshan city, in north China's Hebei Province, have become the city's pillar industries and their products have entered the world markets, the OVERSEAS EDITION of the PEOPLE'S DAILY (RENMIN RIBAO) reported today.

In the first half of this year, the city set up 10 enterprises aided by foreign funds with a total investment of 5.4 million U.S. dollars, including 2.15 million U.S. dollars of foreign funds.

The 10 enterprises include joint ventures, cooperative enterprises and wholly foreign-funded ones.

Another five enterprises have drafted cooperative plans with foreign businessmen.

So far this year, the township enterprises in the city have spent 85.73 million yuan (about 16.2 million U.S. dollars) to develop export-oriented products. The figure accounts for one-third of their total income, 2.5 times over that of last year.

In an effort to make the products of the enterprises enter the world markets, the city has paid attention to the introduction of foreign funds, renewal of technology, development of new and high scientific products and better management, the paper said.

### Private Enterprises Exceed 100,000

HK1912001491 Beijing WENZHAI BAO in Chinese  
1 Dec 91 p 1

["Excerpts" from a report by Fu Gangwen (0265 0474 2429), originally carried in ZHONGHUA GONGSHANG SHIBAO on 19 November: "Number of Private Enterprises in China Has Exceeded 100,000"]

[Text] The number of private enterprises in our country recently exceeded 100,000. They employed 1.75 million people and had 1.06 million yuan of registered capital.

According to the director of the State Administration of Industry and Commerce Individual and Private Economy Department, our country's private economy maintained stable development this year, and the unevenness of regional development also changed.

Of the new private enterprises, industrial enterprises accounted for 62 percent and commercial enterprises 25 percent. The number of private companies newly registered with limited liabilities increased rather quickly. By the end of September, the number of such companies increased 35 percent over that at the end of last year and their average capital was 490,000 yuan.

## CONSTRUCTION

### Official Interviewed on Need for Housing Reform

HK3110033191 Beijing ZHONGGUO JINGJI TIZHI  
GAIGE in Chinese No 9 23 Sep 91 p 1

[By staff reporter Xiao Yingzhi (5618 5391 2535): "Housing Reform and Realignment of Interest Relationships—Interview with Liu Hongru (0491 7703 0320), Deputy Head of State Council Leading Group for Housing System Reform"]

[Text] Housing reform is an important part of the entire economic structural reform involving the intimate interests of every citizen in towns and townships and adjustment in many social interest relationships. It therefore is a complicated and difficult process. Recently Liu Hongru, deputy head of the State Council Leading Group for Housing System Reform and vice minister of the State Commission for Restructuring the Economy, gave an interview to this reporter concerning a few questions on housing system reform.

[Xiao Yingzhi] Over the forty years since the founding of the country, the state has injected huge amounts of money into housing in towns and townships and made notable achievements. In particular since reform and opening up, an obvious change has taken place in the look of towns and townships around the country. Given this, why do we still put expediting housing system reform on top of the agenda?

[Liu Hongru] Our country's achievements in urban housing are publicly recognized. Beijing residents used to call areas within Erhuanlu [second rim] urban areas, and those without suburbs. This concept has totally changed. Today Beijing has not only Sanhuanlu and Sihuanlu [third and fourth rims], but tall buildings and thriving urban centers in Shijingshan and Fengtai districts, which are miles away from downtown. A large number of these tall buildings are residences. However, while giving recognition to our achievements in housing construction, we must not lose sight of the two problems in our country's urban housing. One is the single financial sources for housing construction, which come solely from the state and enterprises, leaving housing construction at the mercy of state and enterprise finances. Funds



therefore vary in amount, are unstable and irregular. The several fluctuations in our country's urban housing since the founding of the country prove that relying only on one financial source cannot guarantee steady development in housing construction and satisfy urban residents' continuous need to improve their living environment. Two, the huge state funds injected into housing are not reimbursable. The more houses that are built, the larger the expenditure for the state and enterprises for maintenance and management, and the heavier the housing burden. Hence, judging only in terms of financial sources for housing construction, our housing system already has a great many problems. These problems forestall an active participation by way of injecting funds into housing construction from collectives and individuals. Thus we can see that without reform, not only will we be unable to improve the housing conditions for urban residents as quickly as needed, but it will indeed be quite difficult to sustain the achievements previously attained in housing construction.

[Xiao] Are there any other reasons that have prompted the state to determine to pursue urban housing reform?

[Liu] Of course there are. Generally, the many evils resulting from a low rent policy and from the use of the housing allocation system as material welfare have progressed to such a stage that reform is the only way out. Under the present system, people need only to pay a little more to have a much larger residence. Moreover, the larger the living area, the more people are enjoying hidden state subsidies. As a result, everyone vies for bigger and better housing, rendering the policy of reward according to the amount of work ineffectual in housing consumption. The results are that as the state builds more and more houses, increasingly more people are having difficulties with housing. Of course, there are other factors, such as the increase in the population. However, the low rent policy and housing allocation as material welfare, which make it difficult to curb irrational demand, are also important factors that create the situation.

[Xiao] Look at it in terms of consumption. Since reform and opening up, urban residents have earned much more, and their living standards have considerably improved. At present one urgent need for many urban residents is to improve their own living conditions. Often, however, they cannot find a suitable house to rent or buy even if they have the money. The view is that if we are to direct residents' consumption toward improving housing conditions, we must reform the existing housing system as quickly as possible.

[Liu] This is true to some extent. Under the welfare-type housing supply system, the suppliers of houses are the state and enterprises, and residents can only spend their cash on food, clothes, and other kinds of consumption, while housing, as the biggest and most essential consumption item for every urban resident, is not subject to their own choice based on their finances. The present

urban residents' savings amount to more than 600 billion yuan. Ordinary families now have color televisions, refrigerators, video recorders, and other high-class durable consumer goods. Demand for these kinds of commodities in urban markets is stabilizing. If we are to activate the market and divert residents' savings and cash on hand in the right direction, there is then the problem of creating a new magnet for consumption. I think that it will benefit the practical interests of everyone if residents are encouraged to purchase, within their ability, standard-price public houses (selling price that includes only construction cost, land use levy, and demolition and resettlement compensation), or to participate in funding for housing construction. The problem is that we must quickly change the present welfare-type house allocation system, which has discouraged urban residents from joining the effort to solve the housing problem.

[Xiao] It looks as if the low-rent policy and welfare material supply system have a lot of problems awaiting reform, but this does not mean that the reform will totally negate the welfare system, does it?

[Liu] No. Reform cannot be divorced from historical reality. In wartime and the early period when the country was being founded, the welfare system played a positive role in rapidly solving people's housing problem and consolidating new-born proletarian political power. Today, while trying to reform the system to meet new demands, we still must rely on rationalities of the past and proceed step by step. Shall we say housing reform, following its initial starting point, contains welfare as well as commercial elements? It is a combination of both. Localities themselves can decide which element has greater play according to different conditions. Of course, this is not the final goal of housing reform, but it represents an inevitable transition period. In a global context, housing is a world-wide social problem, and commercializing residential houses is a fundamental way out. However, even when we have reached the target of commercializing housing, to help families with difficulties due to incomes that are lower than average, the welfare system, as a form of social security, must remain in place to serve as a necessary supplement.

[Xiao] How, then, do we pursue housing reform on the original basis?

[Liu] Mainly by properly arranging funds for residential housing construction through such methods as reforming low rents, selling public housing, and raising funds for housing construction, by changing the present material allocation in the form of houses to monetary allocations, allowing tenants to obtain the right of ownership, or use through commodity exchange (sales of or renting houses), making houses gradually enter the consumer goods market as a commodity, and thus creating a positive input-output cycle for housing capital. This then will lead us to a new path which will expedite the

construction of residences, solve people's housing problems as well as promote property, reality, and the housing finance business and the construction and building material industries.

[Xiao] Everyone is now concerned with the low rent problem in housing reform. Exactly how far will rents be changed before they become reasonable?

[Liu] Housing reform is aimed at realizing the commercialization of housing. If housing becomes a commodity, then, in renting houses out as commodities, they must earn back capital and bring in profits to enable expansion and reproduction. If houses are commodities, then their rents must include maintenance, management, depreciation, land use charges, insurance, property tax, on-investment interest and profits, and other factors. None comprised of these elements are commercial rents. To build a new, socialist planned commodity mechanism, we must commercialize housing, it is only reasonable that their rents must become commercial.

We cannot achieve this goal in one step, but gradually and according to the situation. This requires transitional measures. Therefore, the rate of rent increases must depend on specific situations. When considering the request of increasing rents in stages in the "Circular on Continuing To Actively and Soundly Pursue Urban Housing Reform" issued by the State Council, localities should set objectives for different stages of rent increases, as for instance, the first step should raise the rent to a net-cost rent level which contains only house maintenance, management and depreciation. The second step may, in addition to the above three items, include investment interest and property tax to make a simple reproduction cost rent. Of course, in the pursuit of housing reform, localities can adopt suitable measures to achieve the above two stage objectives according to their local social and economic conditions.

[Xiao] Durable consumer goods such as color televisions and refrigerators, although expensive, are still affordable for ordinary families if they can save money for one or two years, but can they afford publicly owned houses?

[Liu] There will be people who can afford it. The key is how we determine house selling prices and purchase methods. The prices we now charge for publicly owned houses in housing reform are much lower than market prices. In general the construction price for each square meter of a residence is 200 or 300 yuan or a little more. The price includes only the construction cost of the house itself, land levies, dismantling fees, and resettlement compensation. District and municipal package fees are paid by the state and enterprises. The state also waives the investment direction regulatory tax, and sales and contract taxes. At this price, and with 10 to 15 yearly installments, even ordinary town or township families can afford a 10,000-yuan house. This is a transitional method for house sales in commercializing residential houses.

If we set our selling price according to the commercial value of the houses, no ordinary urban residents can afford it. For instance, a residence with a 50-square meter construction area in municipal Beijing is worth commercially over 100,000 yuan, which even upper-middle-income families cannot afford. At present only some units and a very small number of high-income earners can afford such a price. However, with national economic development, corresponding increases in urban residents' income, and parallel reform in labor wages and the banking system, after we have started the commercialization of residences, urban families of middle income or above will be able to purchase fully commercialized houses with mortgages. Of course, when the commercial value of a house is high, to completely own the house and make it your own property, even above-middle-income families must devote a large proportion of their income to the house. The lifelong goal of many above-middle-income urban residents in Western developed countries is to own a house, and only part of them—not all—realize the goal. Therefore, even if we fulfill the objectives of housing reform, it will not be possible for everybody to own a fully commercialized house.

[Xiao] Because the standard-price houses bought by urban residents are not fully commercialized houses, does this mean that these standard-price houses are not their own property?

[Liu] First, we cannot say the residences currently sold to urban residents are not commodity houses. The selling price of this type of house, to make it affordable for ordinary families, does not fully reflect its commodity value. The public housing now being sold in many places are only standard-price, and some even less. An overwhelming proportion of the value of these houses is comprised of district and municipal package fees undertaken by the state and enterprises, and costs such as land levies, dismantling, and resettlement compensation. Here we can see that the state recovers only part of the cost in selling public housing as commodities in the housing reform. The sale of this kind of commodity housing does not generate profits, they are partly subsidized.

Regarding the question of whether purchased houses are the personal property of the buyer, I can answer with certainty that they are. However, this kind of personal property is jointly owned with the state and enterprises. The individual enjoys complete occupancy and use rights, but shares the right of handling the property with the state and enterprises. The logic is clear. You, the state, and enterprises put up money to purchase the commodity house, of course, all three parties have ownership rights. If in the future you want to sell the house, that is, to exercise the right of handling the property, the other two co-owners have purchase priority. Only when they have given up their right of purchase can you sell the property on the free market. Of course, the proceeds from

the sale of the property should be divided among the co-owners in proportion to their respective financial commitments.

[Xiao] In other words, the state does not profit from the sale of publicly owned residences analogous to obtaining profits from selling a commodity. On the contrary, the more the state and enterprises sell houses, the bigger the subsidies they pay. What benefits does it bring?

[Liu] Of course there are benefits, the main one is that the state, by arousing individual enthusiasm for the purchase of housing, may recover part of the enormous funds it has injected into house construction through selling the existing public houses. This money, plus housing construction funds from original channels, represents a large sum. If we pump this money in planned steps into housing construction, we can solve the urgent housing problems in towns and townships more quickly than in the past. Of course, selling houses at the favorable standard price cannot fundamentally solve the housing problem. From now on, on the basis of economic development, we must gradually turn public houses offered for sale into full commodity houses through parallel reforms in labor wages and the financial system. We can envision that the future pattern of house sales and renting is that above-middle-income earners can afford commodity houses, general income groups can rent or purchase commodity houses, and the small low-income group will live in rented commodity houses under social welfare protection.

[Xiao] Changing low rents, selling public houses, raising funds in many ways for housing construction and many parallel reforms—how are all these going to affect the practical interests of urban residents?

[Liu] Their effects will chiefly be shown in the following two aspects. On the one hand, the vested interests of a number of people will necessarily be adjusted, on the other hand, most urban residents will feel strongly the benefits the housing reform brings to their own living conditions, especially in speeding up the improvement of living conditions for households having problems with housing.

Judging from the results in Tangshan in Hebei Province, Yantai in Shandong Province, Bengbu in Anhui Province and Huaxian County, Jiangmen and Shenzhen in Guangdong Province, both effects are there and felt strongly by local residents. In Tangshan and in Huaxian County, for instance, they have their own housing reform programs. One is increasing rents but giving subsidies, the other is encouraging residents to buy houses. Rent in Tangshan after the raise includes the five standard costs of maintenance, management, depreciation, investment interest, and property tax. Although overall the subsidies residents receive basically balance out their rent expenditure, it is different with individual cases. Some residents with bigger housing areas must spend part of their income on rent even allowing for the low rent and all the subsidies they receive, thus fulfilling

the principle of paying more rent for bigger and better houses. Urban residents in Huaxian County are willing to postpone buying durable consumer goods such as color televisions and refrigerators, spend their entire savings or borrow from their relatives—all to pay off the house in total. No doubt housing reforms have a practical effect on the economic interests of people who participate in the reform.

[Xiao] What about the results in improving living conditions?

[Liu] Very good. Tangshan now receives more than 120 million yuan in rent following housing reform. After maintenance and management fees, there is still 85 million yuan of capital to be ploughed back into residential house construction—enough for about 2,500 new houses, which can meet half the demand of new increases in residents. A comrade from the Tangshan City Housing Reform Department said: "Now there are hopes for resolving the housing problem. Staff with the Housing Management Bureau used to pledge to residents applying for houses that they would get it in the following year or two but nobody believed them. Now people believe, and our work now has become much easier." In Huaxian County, after housing reform over 90 percent of resident-buyers settled the house purchase with lump-sum payments. As a result we have recovered a large proportion of capital in a very short time. With it, the county is prepared to solve housing problems of families having difficulties. Of course, for most urban residents, it will still be a long while before the purpose of improving the living conditions is reached.

[Xiao] When can we say the housing burden one carries is reasonably heavy? Specifically, what proportions does housing consumption occupy in the entire living expenditure of urban residents before we can say it accords with the practical situation in our country and that there is now a guarantee for a reasonable housing consumption level for urban residents?

[Liu] How large a proportion housing expenditure occupies in one's entire expenditure depends on the economic development level of the country and the levels of income of the urban residents. Countries and regions around the world differ in these two aspects, and so do their housing consumption proportions. However, one thing is common: Housing consumption figures prominently among other living expenditures. For instance in the United States, Britain, Japan, and the Hong Kong region, it accounts for 15 to 20 percent of total living expenditure, whereas housing expenditure in our country had fallen in 1990 to 0.74 percent of family living expenditure of urban residents, in stark contrast with the continually rising expenditures in other areas of consumption. This obviously is unreasonable. The housing problem intimately concerns the personal interests of every urban resident, who has the responsibility and obligation to shoulder a reasonable part of the state and enterprises' burdens. This is good both for us and the state.



Our country's economic development level is not high. The accumulation-consumption balance must suitably tilt toward promoting economic development. Therefore we should not pursue too high an objective in upgrading average housing levels. Consumption proportions in other areas should also be adjusted, so that the entire consumption structure is favorable to housing consumption. In my opinion the overall principle for adjustment consists of the following three points: First, house construction must be done according to our capacity; we should build more economical and practical commodity houses. Second, we must suitably enlarge the proportions of housing expenditure in the consumption structure. Third, we should identify average, basic, and reasonable living conditions based on the present level of economic development, and use this as the base point in calculating the proportion of housing expenditure. Specifically, if an individual has an average social labor capacity and a job that earns him an average social income, then his labor reward should contain an amount of income for housing consumption at an average social level. When all of the income is spent, he should be able to obtain a house of an average social level or enjoy similar living conditions. To turn it round, when an individual enjoys average social living conditions, the level of housing he enjoys should basically correspond with his social status, labor capacity, and his contributions toward society. His actual housing expenditure should be exactly the full amount of the part of income that is supposed to pay for housing.

[Xiao] That is to say, however far the housing system may change, there will not be a situation such that ordinary urban residents are unable to afford housing. Am I right?

[Liu] Correct.

[Xiao] Adjustment of the consumption structure is in the direction of increasing the proportion of housing consumption. Does this mean that the present living standards will be directly affected?

[Liu] We can say it will affect the future choice of consumption, but the effect will not fundamentally or noticeably lower the living standards general residents now actually enjoy because, first, increasing the proportion of housing consumption in the entire consumption structure will not affect the present consumption in food and clothing. Second, durable consumer goods such as domestic electric appliances are already very popular among urban families. Some people even say that our ownership ratio has reached the level of moderately-developed countries. In general the adjustment of the consumption structure will not go so far as to make everybody sell these domestic electric appliances to pay for house purchase or rent. Moreover, urban residents' bank savings at present have reached some 600 billion yuan, which is the foundation for realizing future consumption choices. If in the future we can channel part of the savings to housing consumption, we will be able to see an early realization of a comparatively well-off living

standard in the entire society. Fourth, for those families having difficulty with housing, it is better for them to spend their savings improving their living conditions, than buying high-class durable consumer goods.

Of course, for those who are occupying houses which give them living conditions better than they merit, housing reform does have an effect. They can choose to continue living in the house and pay more for the house purchase or rent, which no doubt will increase their economic burdens, or they can adjust their housing according to their own contributions toward society and their economic endurance capacity, and turn in excess occupancy areas.

[Xiao] Some of the masses complained that with all the changes in housing reform, much has been said but little done. With so many years of slogans, people occupying excess housing areas are still secure in their residences, while improvement in housing conditions for ordinary folks has been relatively slow. What is your opinion on this?

[Liu] We cannot deny that, with all the achievements we scored with housing reform in recent years, our determination has not been great enough and our pace sufficiently quick. There has not been any genuine reform in some localities. Therefore the complaints of urban populations in these areas are understandable. When spending the spring festival with masses in a residential district in Beijing this year, Premier Li Peng said that we started out late on the problem of housing. Premier Li Peng's statement will serve as a spur and demand. We have no excuse to procrastinate.

Reform will not protect the vested interests of those who abused powers for personal gains. We must form as quickly as possible a new residential house allocation mechanism to make house allocation and consumption as fair and rational as possible and prevent new injustices and power abuses.

Of course, we should also see that housing reform is a complicated and difficult process. The housing system must change from a decades-long welfare type into a commodity-exchange mechanism. It must undergo repeated program deliberations, carefully worked-out pilot programs, and cautious organization of the implementation and extension of programs. This process is time-consuming, difficult, and complicated. Although housing reform agrees with the fundamental interest of every urban resident, we cannot judge that it cares only for vested interests simply because it has not brought any immediate benefits to us.

[Xiao] Whether giving workers proper subsidies after increases in rent or launching reform in connection with the wage system, in both cases enterprises will have to gradually increase workers' monetary income to deal with housing consumption. Can we say that housing reform will add new burdens to enterprises?

[Liu] For some enterprises, no. For others, we can say housing reform will force them to take up that part of the burden due to them.

Enterprises with good returns and which previously put much into housing will already own large numbers of workers' houses. Housing charges, depreciation, maintenance, and management fees deducted by enterprises from the cost, and the housing capital and funds taken from enterprise-retained earnings, need only to go through some mechanism before they can be dispatched as workers' monetary income, which can satisfy the requirement of a changed allocation mechanism in housing system reform. For these enterprises, housing reform will not bring new burdens. The only difference is that there is a change in the allocation mechanism in housing capital and consumption.

Some small enterprises or those with poor performance have done little, or nothing at all to resolve workers' housing problem, letting society bear the burden. In other words the state and other enterprises bear the burden of these enterprises. Housing reform will require these enterprises to pay the money their workers need for their housing. This then will be a new burden.

The problem of enterprise burdens indeed should be handled cautiously. We must set a reasonable housing consumption level based on our national situation, do our best to make the allocation of the burden on enterprises of monetary income for workers' housing consumption as rational as possible, a proper interest allocation between the state and enterprises. Most of the enterprises have the capacity to sustain the burden.

[Xiao] Cadres of state organs in our country receive low wages and do not have other sources of income. Is the state prepared to study parallel reformist measures to resolve this problem?

[Liu] Organ cadres in the same area should participate in unified housing reform as do ordinary folks. Housing reform is for ordinary folks and organ cadres, not are there two different housing reform programs between organ cadres and ordinary folks. Organ cadres will be subject to housing reform as are ordinary folks, the same high rent and the same rules for settlement of house purchase payments. There will be no difference. The low wages of organ cadres have indeed been a real problem over these few years. We should actively study solutions under the momentum of the housing system reform.

[Xiao] During our coverage in various localities we have found that some housing reform cadres found the job difficult. Great pressures come from all sides of society, and they are afraid of getting burnt themselves if they do not handle it carefully. What is your view on this kind of worry?

[Liu] Housing reform touches the personal interest of every urban resident. This, plus the constraints of certain concepts, does make the job very difficult. In particular, when reform endangers some people's interests, they will

place obstacles or exert pressure on the work. Therefore, to do a good job in housing reform, we have to have a responsible spirit for party undertakings and the people's interests. Housing system reform is an important part of economic structural reform. Adhering to reform and opening up is one of the two points in our party's basic line. We should adhere to the party's basic line and pursue housing reform resolutely and with determination. Moreover, the majority of urban residents support this reform. Even if a small number of people do not understand it, they will eventually understand and support it when they are confronted with the great social benefits achieved by the reform. In my opinion, people who really stand on the side of the party's and people's interests and work accordingly, may sometimes suffer misunderstandings, but this will only be temporary. Finally they will get a fair evaluation.

[Xiao] On our own study in several towns and cities pursuing housing reform, we found that before the reform cadres at these places had more or less the same worry, but the experience of housing reform showed that when the majority of cadres and masses supported the reform, implementation went smoothly. In some places chief responsible persons even received high commendation and support from local cadres and masses.

[Liu] This phenomenon is only reasonable. Because urban residents are very concerned with their own living conditions, housing is almost the number one factor in improving living conditions. How can cadres who are determined to improve residents' living conditions not be supported by the masses? On the contrary, it is only delaying housing reform and being indifferent to masses housing problems that will be condemned and criticized by the masses.

[Xiao] We are greatly enlightened by what you have just said. Last, we would like you to tell us what kind of support and help we should give to this reform that concerns our personal interests?

[Liu] There is an ancient Chinese saying: "Everybody has his share of responsibility for the fortune of his nation." I think every one of us should participate in this reform as if we were the leader of the program, and not view it as something that does not concern us. If you handle the reform as if it were your own work, then you will enthusiastically support and care for it. Then reform will have solid support among the masses. Only then will individual targets be smoothly fulfilled, leading to the final goal.

## FOREIGN TRADE, INVESTMENT

### Coping With Export Subsidies Loss

92CE01154 *Chongqing TIGAI XINXI/SYSTEM REFORM NEWS* in Chinese No. 17, 5 Sep 91 p. 01

[Report by Correspondent Zhang Duanrong, "Let Funds for Foreign Trade Be Squeezed Out Through Management"]

[Text] After the state eliminated export subsidies and instituted the reform policy of sole responsibility for profits and losses, foreign trade specialty companies in Guangdong's Jiangmen, with the support the city's financial departments, adopted managerial measures to improve efficient use of funds. They made a gratifying step forward during the transition of mechanisms by achieving good results with the "four reductions" (reduction in the average amount of operating funds, in bank loan balances, in commodity fund balances, and in the amount of losses), the "two declines" (decline in expense levels and in the after-tax costs of earning foreign exchange), and the "one speed-up" (speed up the turnover of funds).

The principle measures they adopted were as follows:

By strengthening the management of funds, they improved the efficiency of their use. The city's various foreign trade specialty companies actively adopted contingency measures to deal with the new policies. Enterprises, which in the past had emphasized speed to complete their export orders, shifted to emphasizing efficiency to improve their firm's foreign exchange earning power and economic efficiency. They instituted three "strengthenings" to regulate their funds:

First, they strengthened the accounting and management of costs to earn foreign exchange. The city's import-export company for local animal products instituted an advance budget for foreign exchange costs and carried out midpoint and closing reviews. In assessing commodity circulation expenses, an important part of foreign exchange costs, they stressed the examination of interest, foreign expenses, operating expenses, and enterprise expenses. Aside from determining overall foreign exchange costs for the company itself, they required every business department to determine foreign exchange costs for each export product. Every product purchased for export which exceeded the predetermined prime cost had to be submitted to management for examination and approval. Strict control over the purchase of high-loss products reduced losses. This also considerably lessened the demand for foreign trade purchasing funds.

Second, they strengthened the internal accounting and management of enterprises. The city's specialty companies instituted departmental accounting and regulation through the establishment of a "responsibility accounting system" which focused on improving economic efficiency and was beneficial to internal management organization. The city's food products import-export companies in 1991 began instituting accounting practices for departments, factories, farms, and warehouse facilities, imposing a system of fixed quotas and controls on several large items such as foreign exchange earned from exports, foreign exchange earning costs, and expense levels. On this basis, they linked awards to efficiency and increased the sense of responsibility among employees for properly performing their operational and managerial assignments.

Third, they strengthened the management of funds and speeded up their turnover. This stressed the following aspects:

Funds were prioritized according to different seasons, and limited funds were used in a timely manner for forming ready markets and for export products earning more foreign exchange and having low foreign exchange earning costs. Warehouse inventories were conducted, overstocking reduced, and active funds audited. The method of settling accounts was changed. Collection of overdue payments was speeded up, and fewer accounts were settled without letters of credit and with payments at usance. As much as possible, collections were made with sight letters of credit. Some companies even demanded prepayment before exporting or used agents.

Financial departments provided strong support to enterprises by disposing of difficulties.

Faced with the new situation, the city's financial departments adopted three measures to support foreign trade enterprises:

First, they supported the demand for export funds. Predicated on implementing the financial policy of "dual tight" and improving economic efficiency, they provided to those who were effective in earning foreign exchange from their exports and they guaranteed key sectors, quickly transferred funds, and guaranteed funds for the purchase of export products which had a ready market and whose foreign exchange earning costs were low. In particular, they did everything they could to satisfy the demand for foreign trade purchasing funds by availing themselves of every opportunity to arrange funds for goods with a strong seasonal demand, for perishable goods, and for large amounts of goods in high demand. At the same time, when demand for foreign trade funds subsided, they diverted funds to be invested in enterprises producing export products and readjusted the credit mix to support production of export products, thereby sustaining the reserve strength of exports.

Second, they promoted a profit and loss balance in foreign trade by strengthening management of credit funds. Combined with the activities of "the year of quality, variety, and efficiency," Jiangmen's supply of foreign trade credit funds, with efficiency as a prerequisite, was used both to support completion of the foreign trade export plan and to help foreign trade companies realize a profit and loss balance. In light of the actual situation, the city's central bank, in consultation with foreign trade companies which had incurred losses during their first round of contracts, concluded a plan to have the losses absorbed by installments. Measures were drawn up for them to conscientiously make up the losses where it was feasible. They were urged to work hard and try to absorb them completely within 2 years. At the same time, to help foreign trade companies gradually achieve a balance between their profits and losses, enterprises were prioritized according to their efficiency and



export products according to their profit and loss. Precedence was given to export products with a ready market and which had earned profits or had low losses that were made up, and precedence was given to businesses needing funds whose profits from imports and domestic sales had been used to offset losses.

Third, they disposed of difficulties for foreign trade enterprises by revitalizing the foreign exchange market. The city's foreign exchange control bureau instituted a practice of retaining a portion, which had been allocated beforehand, of remittances received for exports. Each month 45 percent of the remittances received were retained in foreign exchange for the exporting enterprises. This enabled them to obtain promptly the retained foreign exchange for their own use and speeded up the movement of operational funds for foreign trade enterprises. They also actively revitalized the foreign exchange market. By promptly helping foreign trade enterprises buy unused foreign exchange and by returning to the bank renminbi funds that were needed for the purchase of export products, exports were expanded and some of the losses were made up.

### Import Tariffs To Decrease Under New Regulations

92CED186R Beijing JINGJI CANKAO BAO in Chinese  
17 Nov 91 p 4

[Interview with official of Customs Tax Regulations Committee by JINGJI CANKAO BAO reporter Chen Baojiu (7115 1405 3773), place and date not given. "Import Tariffs To Go Down Under New 'Tariff Regulations'"]

[Text] Approved by the State Council, China's new "Tariff Regulations" will go into effect on 1 January next year. At that time customs will use the categories and codes in the new regulations for import/export control management, taxation, and statistical purposes. China has taken this important step to meet the needs of an expanding open policy. Recently our reporter Chen Baojiu interviewed the official in charge of the office of the Customs Tax Regulations Committee on the implementation of the new "Tariff Regulations."

[Chen Baojiu] How did the new "Tariff Regulations" come about?

[Official] China's new "Tariff Regulations," which have been approved by the State Council, will go into effect on 1 January 1992. It adopts the "Commodity Name and Code Coordination System" list (abbreviated hereafter as the "coordination system") in common use in the world. The "coordination system" list will also be used for calculating imports and exports and the licensing of commodities in the future. The new "Tariff Regulations" satisfies an important requirement for improving customs and foreign trade management. It is a big boost

[Chen Baojiu] The new "Tariff Regulations" is based on the "coordination system." Please explain the system's origins and evolution.

[Official] The "coordination system" is a six-digit classified commodity list. It is multipurpose, scientific, detailed, and thorough. It was drawn up in 1973 under the auspices of the Customs Cooperation Council. Sixty nations, including Canada and the United States, and over 20 international organizations like the General Agreement on Tariffs and Trade and the Statistics Bureau of the United Nations, took part in its compilation. In June 1983 the 61st and the 62d Conference of the Customs Cooperation Council adopted the "International Convention on the Coordination System" and its appendix, the "coordination system" list.

The "International Convention on the Coordination System" and its appendix, the "coordination system" list, formally took effect on 1 January 1988. By April 1991 61 nations had joined the convention as members and 83 countries had formally adopted the "coordination system" list in their own tariff regulations.

[Chen Baojiu] Clearly the "coordination system" is the result of the hard work of experts from many nations over a long period of time. What are its strengths?

[Official] For starters, it is highly versatile. It can be used as a foreign trade statistical catalogue. It also can be used as a commodity catalogue by agencies in international transportation and production management.

Second, it simplifies commodity classification, at the same time making it more accurate.

Third, it provides a "common language" for international trade and other economic activities, thus reducing to a minimum the mistakes in customs classification, taxation, trade statistics, and freight calculation, mistakes that may occur when the same commodity is given several names or codes as a result of the use of different commodity classification lists in international trade.

Fourth, it promotes international economic intercourse and trade. The fact that it is versatile and widely used makes it so much easier for us to collect and analyze all sorts of data relating to international trade. It also has facilitated international trade talks of all kinds.

[Chen Baojiu] Along with the new "Tariff Regulations," China's "Customs Statistical Commodity Catalogue" and licensed commodity management will also adopt the "coordination system" list. In other words, customs will be using a single commodity list, a single set of codes, a single set of commodity names, a single commodity scope, and a single set of explanations. This is a massive piece of systems engineering. What is its significance?

[Official] Obviously this reform will help the nation make full use of economic, administrative, and legal tools to tighten macroeconomic control and regulation

on imports and exports and promote the sustained, steady, and balanced development of the national economy.

[Chen Baojiu] Does the new "Tariff Regulations" contain extensive changes based on the "coordination system?"

[Official] No. Changes made in the "Tariff Regulations" are based on the existing "tariff regulations." It is purely a change in commodity classification list. It is not a case of amending or rewriting the tariff regulations.

[Chen Baojiu] What are the principles of change?

[Official] First is the principle of category change. Apart from directly adopting from the "coordination system" all its categories with six-digit codes, we have added Chinese categories in accordance with the following principles:

1. Sub-categories specially entered in the existing "tariff regulations" to implement the national industrial policy as well as sub-categories needed for fiscal purposes will still be listed separately in the new "Tariff Regulations."

2. Also retained are some new technical products, products whose export is under state control or is limited by the state, and products whose imports have grown substantially in recent years. As for products which are not separately listed in the current regulations, they will be listed as sub-categories in the new "Tariff Regulations."

3. Commodities which account for a significant portion of China's imports or exports and which need to be calculated separately as well as commodities whose exports are taxable are listed separately in the new "Tariff Regulations."

4. Commodities whose scope of licensed management is clearly defined and which are technically distinct are listed separately in the new "Tariff Regulations."

5. Sub-categories in the current "tariff regulations" which are taxed at the same rate, which are imported in small quantities, and which need not be listed separately for statistical purposes are to be combined into one sub-category instead of being listed separately.

6. Ordinary import and export commodities with a small volume of trade and minor differences in tax rates will be combined as sub-categories as appropriate.

Then there is the principle of tax rate change.

1. The principle of directly corresponding change: Under this principle, new taxable items that fully correspond with taxable items in the existing "tariff regulations," new taxable items created by splitting one item from the existing "tariff regulations," and new taxable items created by the combination of several taxable items with the same tax rate under the existing tariff regulations will all be taxed at the original tariff rate. Altogether 5,757

taxable items come under this principle of tax rate change, 92.1 percent of all taxable items in the new "Tariff Regulations."

2. The principle of setting tariff rates by imports share: Under this principle, a number of commodities taxed at different rates under the existing regulations would be combined into a single taxable item under the new "Tariff Regulations." If a certain commodity or a combination of commodities with the same tariff rate accounts for over 70 percent of the imports of the new taxable item, the new taxable item will be taxed at the rate applicable to the commodity in question. Altogether 284 item have their tariff rates changed in accordance with this principle, or 4.5 percent of the total number of taxable items in the new "Tariff Regulations."

3. The principle of lateral balance: Under the new "Tariff Regulations," a taxable item may include several commodities taxed at different rates under the existing "tariff regulations." Also what is one single taxable item in the current tariff regulations may be split up into several new taxable items under the new "Tariff Regulations." When it is inappropriate from the perspective of horizontal balance to continue the old tariff rates, the new taxable item is to be taxed at the rate a similar commodity or a related commodity is taxed. Altogether 179 taxable items have their tariff rate changed in accordance with this principle, or 2.9 percent of all taxable items in the new "Tariff Regulations."

4. The principle of comprehensive computation: Under the new "Tariff Regulations," a taxable item may include several commodities now taxed at different rates under the existing tariff regulations. In the absence of import statistical data or if a need for differential policy treatment does not exist, the tariff rate for the new taxable item will be the average of the tariff rates for the various commodities in question. Altogether 30 new taxable items have their tariff rate changed in accordance with this principle, 0.5 percent of all taxable items in the new "Tariff Regulations."

Thus the total number of items in the "Tariff Regulations" and "Statistical Commodity Catalogue" is 8,859, with 6,250 groups of commodities actually being used for classification purposes. In other words, as far as the new "Tariff Regulations" is concerned, there are 6,250 items that are regularly taxed, 4,042 more than under the current "Tariff Regulations."

[Chen Baojiu] In what way will tariff rates change under the new "Tariff Regulations" compared to the past?

[Official] In line with the principles under which the State Council approved the new "Tariff Regulations," what we have done essentially is to directly transfer tariff rates from one to the other. However, some taxable items are split up into several items under the new regulations, or what are separate taxable items taxed at different rates under the existing "tariff regulations" are combined into one taxable item. Based on the national industry policy, we have lowered the import tariffs on 225 commodities,

including raw materials and capital goods for use in agriculture, to open up further to the outside world and expedite the development of China's foreign economic relations and trade. This is precisely why the actual level of tariffs under the new "Tariff Regulations" will be substantially lower than the current level [sentence incomplete, as published]

## LABOR

### Company Promotes Employment of Scientists Abroad

OW2012100991 Beijing XINHUA in English  
0753 GMT 20 Dec 91

[Text] Beijing, December 20 (XINHUA)—The China International Technology and Intelligence Cooperation Company (CITICC) has served as a bridge for Chinese technicians and management personnel to work in foreign companies, the ECONOMIC DAILY (JINGJI RIBAO) reported.

As China's only company specializing in introducing Chinese technicians and management personnel abroad, CITICC has already sent 2,450 Chinese personnel to work in companies and research institutes in 35 countries since its founding in 1987.

Of the world's 500 leading enterprises selected by the FORTUNE magazine of the U.S., over 20 have employed senior Chinese executives introduced by CITICC.

With a staff of less than 40, CITICC generated a turnover of 30 million U.S. dollars and net foreign exchange earnings of 15 million U.S. dollars in four years of operation.

According to Chen Weshi, general manager of CITICC, China has a total of over 20 million technicians and every year, an additional 1 million are added. But because of lack of scientific research funds and necessary conditions, only less than 40 percent of the Chinese technicians under the age of 30 are used properly.

Meanwhile, the demand for technicians in many countries has remained high in recent years, with advanced countries experiencing a shortage of research assistants and the developing countries in need of leaders, Chen said.

### Need for Welfare System Reform Viewed

OW2711054191 Beijing XINHUA in English  
0514 GMT 27 Nov 91

[Text] Beijing, November 27 (XINHUA)—China's welfare scheme for employees of urban public firms is unsuited to the development of socialist commodity economy and needs to be changed, says the Shanghai-based newspaper LIBERATION DAILY (JIEFANG RIBAO).

For decades, China has been practising a welfare scheme with state and collectively-owned firms, rather than a social welfare system that provides welfare to all employees.

But in the past decade of developing socialist commodity economy, this welfare scheme has met with constant challenges.

First of all, in the increasingly competitive market, some businesses have been greatly weakened, or even reduced to bankruptcy and so unable to provide welfare for employees.

On top of that, the competition has forced enterprises to try to streamline themselves by dismissing surplus workers.

Moreover, unemployment and the increasing intensified flow of laborers require social organizations to provide security for people out of the general public coffers.

In an era of mass production and an increasingly elaborate division of social work, an enterprise should no longer make itself an all-purpose entity, and indeed, cannot, the article said. Most of the welfare functions of enterprises should be transferred to public departments and social organizations.

Such a shift would require changes in the way the national income was distributed, and depend on the ability of society to sustain the new system. It must be achieved gradually over a long transition period, the article said.

However, the article presented several proposals for the welfare system reform.

First, the authorities could set up public agencies empowered to demand from enterprises the funds they would otherwise have spent on certain welfare items for centralized distribution.

The second suggestion was to turn part of an enterprise's welfare undertakings over to the community where it is located.

Third, where some of the social security functions of the social security functions of enterprises cannot be transferred for the time being, changes could be made to lighten the burden. Many state enterprises have more employees than they need, and in this sense they are actually providing security for people who are, in effect, unemployed. The employers could remove surplus employees from their posts and train them for new jobs.

The article also discussed the principles for introducing a socialized welfare system.



### Urban, Rural Income Distribution Discussed

92CE01544 Chongqing GAIGE (REFORM) in Chinese  
No 5, 20 Sep 91 pp 80-88

[Article by study team on "Urban and Rural Resident Income Distribution in China" "Individual Income Distribution During China's Economic Reform."]

[Text] Since the advent of reform and opening to the outside world, the individual income of China's residents has continued to rise. State Statistical Bureau survey data on urban and rural families shows that peasant family income reached 630 yuan per capita in 1990, and that city and town family income used specifically for living expenses amounted to 1,387 yuan. After deducting for price increases, this was a 1.78 and 1.56 fold increase over 1980, respectively, for a 5.9 and 4.5 percent average annual increase. (Footnote 1) (Based on State Statistical Bureau *Statistical Bulletin on the National Economy and Social Development in 1990*, ZHONGGUO TONGJI Mar 1991, and ZHONGGUO TONGJI NIANJIAN for 1990, pp 259, 270, 271, and 289.)

As the people's income generally increased, however, unfairness in distribution also became increasingly apparent. Most comrades doing theoretical work believe that there is not only an excessive disparity in the distribution of personal income, but that egalitarianism also exists. Egalitarianism is manifested primarily in the following: 1) The Gini coefficient, which reflects differences in individual income, is relatively low; 2) wage differences have narrowed following wage reform; and 3) welfare system distribution methods intensify egalitarian tendencies. The irrational income differences are manifested prominently in: 1) Overly high income for individual operators and privately-run enterprises; 2) an excessive disparity between the income of enterprise contract lessors and their staff members and workers; 3) a relatively great difference in the income of staff members and workers in different occupations and under different ownership systems, and a serious inversion in the income of those who do mental versus physical labor; and 4) all sorts of illegal income flowing into the pockets of a small number of people in the commodity circulation field. (Footnote 2) (See "Chinese Income Distribution Problems Workshop Highlights," in JINGJIXUE DONGTAI, 1990-3, pp 7-12.)

Actually this situation relates only to urban residents' individual income distribution; it does not reflect a nationwide pattern of individual income distribution. The foregoing discussion and assessment fails to take into account the residents of townships and villages who account for approximately 80 percent of the population. Furthermore, the fairness of income distribution mostly expresses a society's value judgments and income inequality in a non-economic sense. This article does not intend to evaluate distribution patterns. Instead, it uses the study team's statistical analysis of sampling survey data for a concentrated discussion of income differences

in different areas, industries, occupations, and social groups in an effort to portray succinctly the general outlines and characteristics of individual income distribution, and to make selective income policy recommendations.

### 1. Main Features of Current Income Distribution in China

The character of China's current income distribution stems from the former socio-economic framework, and it also bears the imprint of changes in the economic operating mechanism during the past 10 years of reform. Thus, it reflects the features of the current socio-economic structure. Therefore, no examination of income differences can ignore this deep-seated institutional background.

#### 1. Urban and Rural Differences Under a Dual Economic Structure

Generally speaking, the dual structure of a modern economy in cities and a traditional economy in rural villages that exists in developing countries produces marked differences in income between cities and the countryside. Although China has employed a strict household registration control system to construct a barrier between cities and the countryside, and has effectively used administrative measures to restrict the movement of the rural population into cities, nevertheless, the dual economic character and the marked differences in income between cities and the countryside in China is not greatly different from the situation in other developing countries. In a country in which a serious oversupply of rural labor exists, land is scarce, and opportunities for employment are hard to come by except in agriculture, the flow into cities of peasants freed from the administrative restrictions that production teams imposed, and motivated by a search for employment and income, is difficult to check. It must be emphasized here that the flow into cities of the rural population in China stems largely from the lack of rural employment and earnings that are relatively low by comparison with cities. It is not the inevitable result of the institution of a market mechanism.

The comparison of the real income of urban and rural residents presented in Table 1 shows that during reform, changes in the difference between urban and rural residents' income formed a generally U-shaped curve. From 1979 through 1985, the difference narrowed, but after 1985, the difference began to widen gradually once again. The reasons for the narrowing of the difference between urban and rural residents' income were as follows: 1) A rise in procurement prices of some agricultural by-products and a lowering of the percentage of monopoly procurement and monopoly sales, which reduced the transfer into cities of accumulations from rural areas, thereby providing more income for distribution among rural residents and a tremendous increase in funds for rural economic development; 2) improvement of the structure for allocating rural resources, which was

based on a change in the organization of agricultural production and policy guidance, resulted in an improvement of the rural economic structure. The increase in aggregate amounts, and improvement of the structure enabled rapid development of the rural

economy and a quick rise in peasant income. The rural economy's head start in reform brought about a change in the direction of a narrowing of the difference between urban and rural residents income during the early period of reform.

Table 1. Comparison of Annual Per Capita Income of Urban and Rural Families

Year	Rural Family Per Capita Annual Income (Yuan)		Rural Retail Price Index	City and Town Family Per Capita Income (Yuan)		Staff Member and Worker Cost of Living Index	Comparison of Urban and Rural Real Income
	Figured at Current Year Prices	After Deducting for Price Changes	(Taking Previous Year Prices as 100)	Figured at Current Year Prices	After Deducting for Price Changes	(Taking Previous Year Prices as 100)	(Taking Rural Residents Per Capita Income as 1)
1957	73	71.4	102.2	254	247.6	102.6	3.47:1
1964	102	104.2	97.9	243	232.3	96.3	2.42:1
1978	134	133.9	100.1	316	313.8	100.7	2.34:1
1979*	160	156.9	102.0	377	370.0	101.9	2.36:1
1980	191	183.0	104.4	439	408.4	107.5	2.23:1
1981	223	218.4	102.1	500	487.8	102.5	2.23:1
1982	270	265.5	101.7	535	524.5	102.0	1.98:1
1983	310	306.3	101.2	573	561.8	102.0	1.83:1
1984	355	344.7	103.0	660	642.6	102.7	1.86:1
1985	398	372.0	107.0	749	689.3	111.9	1.80:1
1986	424	403.8	105.0	910	830.5	107.0	2.11:1
1987	463	435.6	106.3	1012	930.1	120.7	1.99:1
1988	545	465.4	117.1	1119	927.1	120.7	1.99:1
1989	602	506.7	118.8	1261	1084.3	116.3	2.14:1
1990	630	612.2	102.9	1387	1369.2	101.3	2.24:1

Source of Data: State Statistical Bureau, *China Statistical Yearbook*, 1981, 1983, 1986, 1989 and 1990; *Abstracts of National Economic Statistics* 1984, "Statistical Bulletin on National Economic and Social Development in 1990."

\*Because of the lack of statistical data, average values for 1978 and 1980 figures have been used here.

The reasons for the gradual widening of the difference between urban and rural income after 1985 were: 1) Price factors. After 1983, the rise in prices of agricultural by-products tended to be slow while prices of industrial goods increased greatly by comparison. 2) Structural factors. The agricultural component of the rural industrial structure declined while the non-agricultural component rose. Increase in non-agricultural industry resulted in a decline in the state assistance to agriculture that the rural economy enjoyed. At the same time, the increase in township and town enterprises' tax burdens meant an increase in the income that the state took out of rural villages through taxation. 3) Wage subsidy factors. After 1984, the average wage of urban staff members and workers increased rapidly, and the government lost control over bonus payments and subsidies. Government living subsidies to urban residents gradually increased. Simultaneous to the inflation of urban income, agricultural growth began to slow beginning in 1985, and prices of the agricultural means of production increased tremendously. Consequently, the degree of increase in peasant income declined. All these factors were reflected in the contrast between urban and rural

income, with the difference between the two increasing. (Footnote 4) (Please see "Highlights of Workshop on Chinese Income Distribution," JINGJIXUE DONGTAI, 1990-93 and Zhu Ling [2612-3781], "Changes in the Difference Between Urban and Rural Income During China's Economic Reform," SHEHUI KEXUE JIKAN, Jan 1991.)

The foregoing discussion permits the capsulization of one characteristic of individual income distribution in China, namely, that the income of urban and rural residents is determined by different distribution mechanisms. The income of most urban residents is distributed directly from the planned economy system. Since an overwhelming majority of rural residents do not receive wages, although their incomes are affected by government agricultural, price, and market policies, and by township and town enterprise policies, they do not receive distributions directly from the planned economy. One point that particularly requires explanation is that the income figures listed for city and town residents in Table 1 are quoted from the State Statistical Bureau's "City and Town Residents' Family Income To Be Used

For the Cost of Living." It does not include any of the various indirect subsidies (hidden subsidies) that the government provides. According to the study team's analysis of the random sampling data, city and town family annual income reached 1,632 yuan per capita in 1988, 51.4 percent of which was wage income and 23.3 percent of which derived from indirect subsidies. The remainder came from direct subsidies (money subsidies that families obtained). Clearly, if indirect subsidies are factored in, the difference between urban and rural income was doubtlessly close to nearly three to one.

Possibly it is because of the cleavage between urban and rural society that, when discussing the extent of income imbalance, theoreticians frequently mean the distribution of city and town residents' income. If the Gini coefficient is used to express separately the distribution of income among city and town residents, and among the people of the country as a whole, the difference in income between cities and rural areas may then be seen from yet another angle. Since the study team's randomly sampled cities were limited to only 10 provinces and cities, it was possible to obtain the Gini coefficient for only the mixed urban and rural samples found in these provinces and cities. These data show that the distribution of income among residents in these 10 provinces and cities was equal, the maximum Gini coefficient reaching less than 0.26. However, when rural residents' income was figured in, the Gini coefficient increased markedly, attaining a maximum of 0.4, reflecting the income distribution pattern after rural residents caused a widening of the low income group. Therefore, the conclusion that income became equal does not apply to income distribution for the citizenry as a whole.

## 2. Unequal rural non-agricultural employment opportunities and unequal income.

The rapid expansion of rural non-agricultural employment during economic reform provided a new source of income for peasant families. In 1978, 92 percent of peasant net income derived from agricultural production, and 8 percent came from non-agricultural production, but by 1989 the ratio was 55 percent to 45 percent. (Footnote 5) (Based on calculations made from data found in the State Statistical Bureau's *Chinese Statistical*

*Yearbook*, 1990, p. 313.) Given a surplus of agricultural labor, success in engaging in non-agricultural production became a major reason for the differences in peasant income in the current process of rural socio-economic development. Calculations based on the study groups' random sampling data show a Gini coefficient of 0.3291 for per capita rural net income. Figured in terms of sources of income, the Gini factor was 0.3172 for peasant per capita income from agriculture, and 0.6414 for peasant per capita income from other than agriculture. This means that the inequality in rural income shows up mostly in the non-agricultural sector.

Completed studies show a fairly low inequality in agricultural income among peasant households. (Footnote 6) (See Zhu Ling *Rural Reform and Peasant Income in China*, Macmillan Publishing Company, 1991, pp. 77-124.) The reason is that under the responsibility system, cultivated land is distributed to peasant households on the basis of family size, and the crops they choose to grow, the farming techniques they employ, and their inputs are also similar. Naturally a certain degree of inequality exists in the distribution of agricultural income, the determining factor being the difference in natural conditions between one area and another, and differences in soil fertility and irrigation conditions. A second factor is differences among peasant households in production ability (the amount of land farmed, the quantity of fixed productive assets, and family size).

The inequality in non-agricultural income among peasant households stems from differences between one place and another in non-agricultural employment opportunities. Additionally, regional advantages also provide a broad field for peasant pursuit of non-agricultural activities. The labor utilization rate along the southeast coast and in counties around large cities is high by comparison with inland areas and southwestern provinces and regions, so peasant family income is correspondingly far ahead there. The statistics provided in Table 2 for the make-up of peasant family per household gross cash income from production also support this judgment. Thus, the inequality in non-agricultural income among the country's peasant households reflects, to a very large degree, the inequality of non-agricultural employment opportunities in different areas.

Table 2. Make-Up of Peasant Family Per Household Gross Cash Income From Production in 1988

Peasant Household Per Capita Net Income (Classified From Low to High by Province)	Agricultural Gross Income (Yuan Per Year)	Percent	Non-Agricultural Gross Income (Yuan Per Year)	Percent	Total (Yuan Per Year)	Percent
1. Gansu, Henan, Shaanxi, Quizhou, Yunnan, Sichuan, Guangxi	1,406.10	78.95	439.78	21.05	1,845.88	100
2. Ningxia, Shanxi, Anhui, Qinghai, Jiangxi, Inner Mongolia, Hubei	1,857.53	78.28	511.98	21.72	2,375.51	100
3. Hunan, Heilongjiang, Hebei, Shandong, Fujian, Hainan, Jilin	1,860.54	75.46	630.39	24.54	2,490.93	100



Table 2. Make-Up of Peasant Family Per Household Gross Cash Income From Production in 1988 (Continued)

Peasant Household Per Capita Net Income (Classified From Low to High by Province)	Agricultural Gross Income (Yuan Per Year)	Percent	Non-Agricultural Gross Income (Yuan Per Year)	Percent	Total (Yuan Per Year)	Percent
4. Liaoning, Jiangsu, Guangdong, Tianjin, Zhejiang, Beijing, Shanghai	2,386.68	66.38	1,814.24	33.72	3,800.92	100
National Total	1,819.14	73.37	691.23	24.63	2,516.37	100

Of course, as far as individual laborers are concerned, peasants in the same township, town, or village will not partake equally in the development of non-agricultural industries. Individual factors such as differences in age, sex, skills, educational level, and adventurousness frequently determine their ability to obtain non-agricultural employment opportunities. (Footnote 7) (See Xie Shusen [6043 2579 2773] and Chen Bing [7115 0393]. "On the Country's Illiterate Populations," JINGJI YANJIU ZILIAO, Nov 1989, p 10)

### 3. Coexistence of Two Income Distribution Mechanisms in the Urban Economy.

During reform, the government changed from a direct to an indirect form of control in administering the economy. The economy likewise moved from a fairly

uniform to a diversified form of organization. Various kinds of economic entities including joint venture enterprises, privately run enterprises and individually run enterprises gradually formed around state-owned enterprises and collective enterprises. This created a transition period setting in which two mechanisms for the distribution of income existed at the same time. In today's system, two systems exist, one within the plan and one outside the plan. In the former system, the problem of egalitarianism in the distribution of income has yet to be solved and is becoming worse (See Table 3). In the latter system, a situation has come about in which income is too high for some people and for some economic activities. (Footnote 8) (Zhao Renwei [6392 0086 0251]. "Problems in Individual Income Distribution in China," JINGJI YANJIU ZILIAO, May 1990.)

Table 3. Effect of Urban Wage Reform on Income Differences Among People in Various Professions

	Before Wage Reform (1985)	After Wage Reform (First Half of 1988)
Trainee researchers and researchers in scientific research units	1.3.0	1.2.0
Hospital medical practitioners and doctors in charge	1.3.0	1.2.2
University assistant professors and professors	1.3.0	1.1.8
Government office workers and bureau chiefs	1.3.1	1.1.6

Source of Data: State Statistical Bureau random sampling of 48 cities, quoted from Zhao Renwei's "Problems in Individual Income Distribution in China," JINGJI YANJIU ZILIAO, May 1990, p 39.

Equal distribution of income within the planned system has existed for several decades, and even though this is a distribution mechanism that is not very effective in stimulating workers, because urban residents are accustomed to it, it has not aroused all that much blame for the income gap. The non-planned system, as well as the frictions between the two systems or the economic activity in the "no-man's" land, clearly introduce a new feature into urban residents' income distribution. First of all, some employees get investment income in addition to their labor income. People in China generally feel that they should get interest income from their savings accounts, and they also feel that the financial assets income (or bonuses) that they get from the purchase of share certificates and bonds is right and proper; however, they are frequently dubious about the income (or profits) that individual owners get from direct investment. Alternatively, they may feel, for ideological reasons, that such income is illegal, or they may, out of lack of understanding, confuse the investment income of

employers in privately-run enterprises and individually-run enterprises with their wage income. They compare their total income (investment income plus labor income) with the income of workers that comes solely from wages, coming to the conclusion that the income of people so employed is too high and cite it as evidence of unfairness in income. Actually comparisons of the amount of income of different character to determine which is just and fair is as likely to be as irrelevant as comparing the length of A's arm with the length of B's leg, in order to decide which is the better of the two. Since various articles discussing this topic have been published lately, there is no need to belabor it further. (Footnote 9) (See Guo Qing [6753 1166 7230]. "Thoughts About Moderating Unfairness in Current Income Distribution," ZHONGGUO LAODONG KEXUE, Oct 1990.)

The question is how to estimate the investment income of individual entrepreneurs and the owners of privately run enterprises. This involves yet another feature of

income distribution in the reform process. The coexistence of income resulting from the plan mechanism and income resulting from the market mechanism. Some research reports use the profit rate in state-owned industrial enterprises as a reference for determining an equitable profit rate in privately run enterprises. They maintain that when before-tax profits in the latter exceed 25 percent, or are even 30 or 40 percent, it is abnormal. (Footnote 10) (See Wang Keshong [3769 0344 1813]: "More Discussion of Several Problems of Unfairness in Current Income Distribution," *ZHONGGUO LAODONG KEXUE*, Oct 1990.) Two points merit discussion here: First, this pertains only to enterprises of similar size in the same trade, otherwise, it will be very difficult to eliminate excessive subjective conjecture from the above extrapolation. Second, within the same trade, state-owned enterprises still bear responsibility for fulfilling certain norms handed down. They are also responsible for certain expenditures, such as for retired personnel, and for medical treatment and welfare services to staff members and workers, and so on. Since they may neither discharge unneeded personnel in the enterprise, or refuse to accept new hands that labor units assign, their efficiency norms are frequently lower than in privately-owned enterprises of the same kind. Since the latter do not have the foregoing responsibilities and obligations, and since they can quickly make decisions in reaction to market price signals, they can make a higher rate of profit (from investment income that the market directly decides). In the above scenario, two kinds of enterprises under different ownership systems contain some factors that cannot be compared. Their investment income is decided by different distribution mechanisms.

Since this is the case, in comparing incomes stemming from two different distribution mechanisms, a series of limitations must be added. When discussing differences in labor income among different employees, if one takes into account the mechanism that determines their individual incomes, the conclusion reached may differ from the value judgment arrived at more directly through mathematics. For example, in deciding that "the income of someone who makes atomic bombs is not as high as that of someone who sells tea-flavored eggs," or that "a teacher's income is lower than a shoe repairman's income," and so forth, is to compare incomes that stem from different distribution mechanisms. The wages of the former are paid directly out of the government treasury and wage levels are set by government functional departments. The income of the latter comes directly from payments individual consumers make; the amount of their income depends on the quality of their product or service, and market demand. If the wages of the former are taken as the standard for extrapolating how low the income of the latter should be, that would be of no practical significance at all.

Furthermore, the social welfare and social security that the former enjoys and the market risks that the latter carries are frequently difficult to calculate in money terms. Therefore, although these elements may be

ignored in a discussion of the incomes of the two, they are expressed clearly in the choice of an occupation. No matter how high a "shoe repairman's" income, the number of "teachers" that go into the shoe repair business can be counted on the fingers of one hand, and no matter how wide open the door to becoming an individual entrepreneur, even if the number of people to be taken on in non-state owned businesses is limited, the number who volunteer to go through that door are few and far between.

The purpose of putting income into categories in such detail is not to demonstrate that the existing income distribution pattern is rational, but rather is an effort to clarify the facts from a theoretical standpoint, the better to seek proper remedies. Experience demonstrates that the difficulties that developing countries face in a shortage of capital and inadequate employment opportunities cannot be solved solely by relying on the government. Use of investment income (interest, dividends, profits, etc.) to stimulate individual investment, and use of the market mechanism to encourage people to find their own employment opportunities, are all acceptable as helpful supplements to public investment and employment methods. The competition that ensues from this is also clearly positive in improving the efficiency of state-owned enterprises and a resultant increase in staff member and worker income. Therefore, sole reliance on feelings to make judgments about income distribution is likely to produce mistakes.

Ever since operation of the economy has been regulated through the planned system and the market system at the same time, the social outcry about differences in income in different occupations and enterprises being irrational has aroused widespread attention. Our study team divided up the employment samples by trade and by overlapping occupations to figure the average income of each group in 1988. The results showed that in most trades, the average ratio between the highest income group and the lowest income group for those doing the same kind of work was 1:9:1. This ratio was much lower than the income difference between urban and rural residents. But why is it that the social reaction against the difference in income of the former is stronger than against the difference in income of the latter?

An examination of this question can reveal yet another feature of current income distribution, namely, "gray income" that appears in the frictions or "no-man's" lands in various economic regulatory systems. Here the term "gray income" is used to mean income of poor transparency under the country's current abnormal market conditions, such as income obtained from leasing activities, income derived from tax evasion, income from a second job, income in kind distributed within enterprises, etc. Such income is frequently outside of the government supervisory network. Those taking part in economic activities sense the existence of such income, but they find it difficult to calculate accurately the amount that those involved receive. Under these circumstances, people find it easy to accept differences in income that are more transparent, such as the difference between urban and rural income. (Additionally, since

cities and the countryside are separated from each other, people in rural areas have become accustomed to historical reality; however, as beneficiaries from the prevailing relationship between cities and the countryside, naturally urban residents tacitly approve such a difference. They have a strong reaction, however, against income differences that are difficult to pin down.

The study group's conclusions about the individual income that can be quantified show 96.22 percent of the total number of urban employed sampled had an income of less than 3,400 yuan, while only 3.78 percent had an amount greater than this. The Gini coefficient for the income of all urban employed was 0.2408. This means that the income of urban employed is essentially equal. Other places in the world with such a high degree of income equality include Sweden and Denmark in northern Europe, which are renowned for their equal distribution. Nonetheless, China's urban residents feel that income distribution has been extremely unfair in recent years. Their being accustomed to the distribution principle of extreme egalitarianism aside, this feeling can only be explained in terms of people's awareness of "gray income" not included in the quantification, particularly leasing income.

#### 4. Regional Differences and the Needy Population

Regional income differences and the needy population are problems to which developing nations must devote a high degree of attention while pursuing economic

growth. This is because the spread of regional difference can damage national unity, and increase in the needy population can impair social stability.

Since the study group's sampling survey was limited to samples from only 10 provinces and municipalities, a combined collation is possible only on the basis of city and countryside samples from these 10 provinces and municipalities to provide a complete picture of urban and rural residents in the three large eastern, central, and western regions of China.

Table 4's statistics on urban resident income ratios between one region and another are identical to the information that the Gini coefficients conveyed on the urban employed in the foregoing section, that is, the difference is not great. The reason is that members and workers in state-owned and collective enterprises make up the overwhelming majority of the urban employed, and their wages are also the main source of income of most urban families. Furthermore, their wages are determined by the plan system realm, and this realm still practices an egalitarian centralized distribution system that rules out, to a very great degree, the effects on the employed of differences between one region and another in the extent of socio-economic development. Consequently, regional differences in individual income are expressed mostly in rural villages, although the key to these differences lies in the differences in the degree of industrialization and urbanization of these regions.

**Table 4. Comparison of Urban and Rural Residents' Income in the Eastern, Central, and Western Regions of the Country (Yuan per Capita per Year)**

Region/Item	City and Country Residents' Income	Urban Residents' Income	Rural Residents' Income
West (Yunnan and Gansu)	971.12	1,201.0	380.71
Central (Shanxi, Anhui, Henan, Hubei)	816.97	1,104.8	408.37
East (Beijing, Liaoning, Jiangsu, Guangdong)	973.83	1,439.38	619.8
Income ratio in the western, central, and eastern regions of the country using 1 for the income of western residents	1:1.07:1.09	1:0.92:1.198	1:1.21:2.12

In order to make a time sequence comparison of rural residents' income in different regions, data for each province that is identical with the regional classification in Table 4 was extracted from State Statistical Bureau-published material to calculate the average values found

in Table 5. The results of the calculations produce the conclusion that the income differences widened between one region and another in the course of reform, particularly between the eastern region and the central and western regions.

**Table 5. Changes in the Difference in Rural Residents' Income in China's Three Main Regions As Shown in Peasant Family Annual Per Capita Net Income (Yuan)**

	1978	1983	1986	1989
West	111	208	304	422
Central	103	288	380	513
East	181	431	616	930
Income ratio among western, central and eastern regions, taking western region residents' income as 1	1:0.93:1.63	1:1.08:1.62	1:1.23:2.07	1:1.22:2.23

Source of Data: China Statistical Yearbook 1989, p. 374; 1987, p. 701; 1990, p. 314.



In terms of agricultural resources and industrial foundation, the eastern region was superior to both the central and western regions prior to reform. Since reform, the superiority of the eastern region has advanced further. Diversification of the agricultural structure, the radiation of urban industry into rural villages, and the speed of growth of rural non-agricultural industry has brought about a simultaneous increase in both sources and the amount of peasant family income. Modern industry got off to a late start in the central and western regions where traditional agriculture continues to hold a dominant position in the rural economy. Agriculture is the sole source of income and growth is fairly slow. In some rural villages of the west in which agricultural resources are poor, agriculture remains the sole production sector, the

quality of manpower resources is fairly low, the commodity economy is not developed, and income is meager (see Table 6). Considering the tremendous increase in income of most of the population nationwide during the 1980's, the poverty of the western region is particularly striking. Large scale projects to assist the needed undertaken since 1985 have greatly reduced the poverty rate. For the country as a whole, 5 percent of the rural population lived in poverty in 1989 (a family per capita annual net income of less than 200 yuan, and a grain ration of less than 200 kilograms). Calculated in absolute amounts, however, the Chinese population that lives in poverty is greater than the entire population of most of the countries of Europe. It is virtually double the entire population of Oceania. (Footnote 1) (State Statistical Bureau: *China Statistical Yearbook 1990*, pp 312, 835.)

Table 6. Difference Between Cities and Rural Areas in the Distribution of Income, and the Poverty Situation in the Country's Three Main Regions

	Comparison of Urban and Rural Per Capita Income (Taking Rural Income as 1)	Rural Family Income Falling on Annual Net Income of Less Than 200 Yuan as a Percentage of the Low Income Group	Percentage of Population in Five Rural Income Sub-Groups Whose Income Is Higher than the Lowest Income of City and Town Residents
West	1.3.1	38.37	20
Central	1.2.36	29.68	20
East	1.1.76	27.71	40

## 2. Income Policy Choices

To summarize the foregoing, sources of individual income for residents of cities and the countryside in China tended toward greater diversification in the course of reform, many different elements being involved. At the same time, a system took shape in which multiple income distribution mechanisms existed at the same time, both the plan mechanism and the market mechanism deciding income distribution in different economic entities. Sometimes two different mechanisms also determined income in the same economic entity. The old order was demolished and the new system had yet to develop completely. The period during which the new was replacing the old provided opportunities to obtain income illegally. This made the income distribution pattern even more diverse and confused during the reform period, thereby intensifying the citizenry's sense of impropriety. Actually, the degree of unequal income was far less serious than people felt. The Gini coefficient for the country's income remains lower than for the overwhelming majority of the world's industrialized countries and developing countries. Nevertheless, the income distribution question has already hurt social stability in China, thus, an answer must be found.

Numerous remedies have been suggested to deal with individual income differences in the urban, individually owned economy versus the publicly owned economy, as well as income differences among those employed in different enterprises and trades in the publicly owned economy. These suggestions will not be repeated here. Desirable policy principles can be deduced, however,

solely from the summarization of the pattern of income distribution that this article provides.

First is use of central government redistribution of fiscal revenues to increase investment in basic facilities in areas whose development is lagging for improvement in local conditions for development, formulation of policies to stimulate individual investment and to increase local accumulation of capital, thereby creating greater employment opportunities. These measures, which have as their goal the narrowing of regional differences, would serve as "conventional weapons" even if they were put into practice in countries having a federal system. In federal Germany, for example, these methods transferred income from southern, modern, industrially developed states to support a readjustment of the industrial structure of northern, traditional industry states. Even though a system for dividing revenues and expenditures between the central and local governments and holding each responsible for balancing its own budget has been instituted in China, income redistribution to regulate the regional differences tradition still requires support.

Second, in order to narrow differences between cities and the countryside, it is necessary to eliminate the privileges that urban residents enjoy relative to rural residents in food, housing, medical care and employment to build a uniform social security system that applies to cities and rural areas alike. In addition, consistent policies are needed to encourage rural residents to pool resources to build towns, to invest capital in cities, and to promote the industrialization and urbanization of rural areas. This must not be regarded as an

expedient measure, an immediate contraction of township and town enterprises, or the driving of peasants out of cities taking place as soon as economic difficulties occur. The removal of restraints between the urban and rural system will not only help increase rural residents' employment opportunities and income, the attendant expansion of rural markets stimulating the prosperity of the entire economy and increasing urban income, but it will also help change urban residents' ideas about relying on the government, and their egalitarian tradition for the fostering of a competitive sense. Practice in reform shows the adaptability of the rural population to an urban mechanism to be greater than that of the urban population.

Third is use of the banking system's monitoring of incoming distribution. Civilian financial institutions and state-owned banks will have to be permitted to coexist in order to do this, their competition serving to promote improvement in the financial system's service efficiency, thereby broadening the role of banks as intermediaries in trade and increasing the transference of market activities. Naturally, this can only help the tax authorities supervise tax evasion to a certain extent, it cannot put an end to illegal income. In particular, it cannot put an end to leasing income. Market-oriented price reform is still the measure that will change the making of exorbitant profits through manipulation of the multiple track price system, changing "multiple tracks" to a "single track."

Fourth is further reform of the labor and wage management system for state-owned businesses and undertakings, building a labor market to effect a change in the mechanism whereby the market determines labor's earnings. This will inevitably destroy the situation in which wage laborers receive equal income. At the same time, it will provide laborers with more equal opportunity for competition. When opportunities are generally equal, people easily accept the unequal result (income) of competition. This is one reason why social disorders does not occur in numerous countries, even though the inequality of income is higher than in China.

Fifth is an analysis of the needy population, improving the system to help the poor, and lowering the degree of unequal income. This is a measure that the experience of developed countries such as Canada, and industrialized countries in Europe, have found feasible and effective.

Sixth is improvement of the development climate for the non-state owned economy to enable a diversification of urban social strata. The significance of this measure lies in its ability to bring about a gradual widening of income grades, each stratum having a neighboring comparison group, income differences in neighboring comparison groups not reaching the point where those making comparisons feel it is unequal. If a society has only two strata, the slightest change in income differences may threaten the existing stability.

Note: The source of most of the data in this article is a large scale sampling of city and rural residents' income in 1988 conducted by the Economic Research Institute of the Chinese Academy of Social Sciences. This includes a rural sample of 10,258 households taken from the stratified sampling of State Statistical Bureau samples (69,550 households) in 28 provinces, autonomous regions, and municipalities directly administered by the central government, not including Xinjiang, Tibet, and Taiwan. It also includes an urban sample of 9,009 households, namely, households of long-term record obtained in a State Statistical Bureau random sampling conducted in 10 provinces or municipalities, including Beijing, Shansi, Liaoning, Jiangsu, Anhui, Henan, Hubei, Guangdong, Yunnan, and Gansu. Except for data otherwise cited, all the data used in this article stems from a statistical analysis of this random sampling. (Footnote 3) (See "Chinese Urban and Rural Residents Income Distribution," (Statistical Report in JINGJI GONGZUOZHE XUEXI ZILIAO, Jan 1991 and Feb 1991.) Since this data reflects the situation for only 1 year, they have been supplemented with information for a longer time period from ZHONGGUO TONGJI NIANJIAN.

## POPULATION

### Population Problem in Ningxia

92CE02594 Yinchuan NINGXIA RIBAO in Chinese  
19, 26 Nov, 10 Dec

[Article by Chen Yu (7115 6733). "Problems Encountered in Ningxia's Population Work"]

[19 Nov p 2]

[Text] In Ningxia the natural population growth rate has remained high, seriously affecting the fulfillment of the region's Eighth Five-Year Plan objectives.

Under the impact of the baby boom which has appeared since 1986, Ningxia's population has continued to show a fast growing trend in the Eighth Five-Year Plan period. Population growth will continue to rise. Data obtained from investigation show that in recent years a third baby boom has become an increasingly serious problem in Ningxia. However, the region's population growth has yet to reach its peak, and the high growth rate will persist for another 20 years or so. According to forecasts based on the population growth formula derived from the period of the Seventh Five-Year Plan, the average annual natural population growth for the Eighth Five-Year Plan period will be 108,000 people, and the increase due to immigration 13,000 people. This means a total growth of 121,000 people, which will exceed the 122,000-people annual target set for population control (figures as published). Excluding the population increase due to immigration, the natural growth will still exceed the annual target. By the end of the Eighth Five-Year Plan, Ningxia's total population will reach 3.262 million.

instead of the projected 5.17 million. The high population growth rate will seriously affect material production, imposing a heavy burden on socioeconomic development. For example, Ningxia's grain output target is 2.1 billion kilograms by the end of the Eighth Five-Year Plan period. Even if its population is controlled at the projected level of 5.17 million, per-capita grain consumption will be 14 kilograms less than the 420 kilograms registered in 1990. If the actual population growth exceeds the control target, grain production will fall even further behind. Moreover, if the state has to spend 550 yuan each year rearing a child—which is a rather low estimate—then during the period of the Eighth Five-Year Plan, the money required annually for rearing newborn children in Ningxia will amount to 39.4 million yuan, nearly 10 percent of the region's total revenue in 1990. That is to say, each year Ningxia has to use 10 percent of its total revenue in rearing newborn children. What a serious population problem!

[28 Nov p 2]

[Text] Women of childbearing age, from 15 to 49, are a vital force in population growth. Statistics show that in 1990 women of childbearing age in Ningxia numbered 1.243 million, an increase of 321,000 over 1982. Among them, 38 percent were of active childbearing age, namely 20-29. With an average of 53,000 people reaching marriage and childbearing age each year from now on, it is expected that the number of childbearing-age women will total 1.405 million in 1995, up 13.03 percent from the Seventh Five-Year Plan period. In accordance with Ningxia's current childbirth policy and taking no account of such factors as early fertility and above-quota births, an average of 120,000 to 130,000 new babies will be born annually during the Eighth Five-Year Plan period. Thus, in five years, the number of new births in the region will be equivalent to the population of Shizuishan City (at the end of 1990 the population of that city, excluding those living in its subordinate counties, was 514,000 people). Obviously, this mighty childbearing force poses a serious challenge to Ningxia's family planning. Whether we can adjust and restrict childbirths due to this mighty force is a key issue in realizing our population plan in the Eighth Five-Year Plan. It is also crucial to whether Ningxia can fulfill its economic development program and enable the average person to enjoy a relatively comfortable standard of living.

[10 Dec p 2]

[Text] Investigation reveals that in some places in Ningxia quite a number of couples married or are cohabiting without marriage registration. What is more, marriage before the legally specified age has become an increasingly serious problem. According to the fourth census, 39,000 people in Ningxia married before they reached the legally specified age. This accounted for 6 percent of the people in the same age bracket, an increase of 120 percent over 1982. Among newly married females, 15.2 percent married before turning 19. In rural

areas, especially mountainous areas, marriage at the age of 13 or 14 is quite common. Early marriage is bound to result in early childbirth. Data obtained from the above census show that the childbirth rate among women aged 15-19 was 2.831 percent, up 1.511 percentage points compared with the rate for the same age bracket at the time of the 1982 census. Children born to these women numbered 76,000, accounting for 7 percent of total births. This lowered the peak childbearing age bracket (age for the highest childbirth rate) among women of childbearing age in Ningxia from 25-29 in 1981 to 20-24 at present. Early marriage and early childbirth are not only illegal, but impact on the population plan, adversely affect the improvement of population quality, and are detrimental to stable marriages. Therefore, this problem deserves the great attention of the entire society. During the period of the Eighth Five-Year Plan, if we are to bring down the high population growth rate and ease the baby boom in Ningxia, we must strictly and expeditiously solve the problem of early marriage and early childbirth.

In addition, investigation reveals that above-quota births are not uncommon in Ningxia. This is another "problem" caused by the mighty childbearing force.

Ningxia has a lax childbirth policy, and this lax policy has not been well carried out because of the lack of intensive overall administrative efforts. Instances of above-quota births are still common. According to statistics, during the past few years the number of above-quota births has accounted for about 20 percent of the total annual births in Ningxia, and the percentage has been as high as 30 percent in the region's southern mountainous areas. At present, of every four new births in this autonomous region, one is an above-quota birth. In 1990 more than 15,000 babies were born in Ningxia because their mothers failed to keep childbirths more than four years apart, and there was no lack of instances where women about 20 years old had three children. According to the census, 15,000 women, or 31 percent of the childbearing women that year, had four or more children, while 13.4 percent had five or more children. In 1990 a woman, who already had 10 children, gave birth to twins. Undoubtedly, above-quota births will keep the population growth rate high. For example, of Ningxia's new childbirths in 1989 those in the region's river areas who were at least the fourth birth in the family plus those in mountainous areas who were at least the fifth birth totaled as many as 8,000. As a result, Ningxia's population growth rate climbed from 23.66 to 25.41 per thousand.

#### Improvement in 'Population Quality' Described

OH2412081091 Beijing XINHUA in English  
0753 GMT 24 Dec 91

[Text] Beijing, December 24 (XINHUA)—Latest figures on people's life expectancy, infant mortality rate and



youngsters' growth indexes show that China has considerably improved its population quality over the past four decades.

The average life expectancy of Chinese people hits 69 years, an increase of 34 years over 1949 when New China was founded, according to a report at a recent symposium on Chinese population quality.

The infant death rate has dropped to 13.8 per thousand in urban areas and 21.7 per thousand in rural areas from between 200 per thousand and 300 per thousand. It is among the lowest in developing countries.

The general death rate, too, was lowered considerably. An annual average of 6.25 people die among 1,000 Chinese people now, the lowest in Chinese history, the report said. That same figure was 20 before 1949.

The report also said Chinese teenagers grew faster than their Japanese peers in the same period from 1979 to 1985. The average height of boy students increased 3.83 cm and weight 2.85 kg; girl students' respective numbers are 2.89 cm and 1.88 kg.

In addition, the report said the illiterate and semi-illiterate population has decreased remarkably. The latest figure of this part of the population is 15.88 percent but it was almost 80 percent in Old China.

Among the educated people, primarily-educated and middle school educated increased notably over the figure before 1949 when 90 percent of them had only primary education. The present number has decreased to 55.29 percent.

Junior middle school students increased from 5.96 percent to 32.65 percent while senior middle school graduates account for 10.71 percent now, an increase of 7.59 percent. The percentage of college-graduates has more than doubled that of 1949, the report said.

## TRANSPORTATION

### Civil Aviation Overfulfills Production Quotas

OWUS01000592 Beijing XINHUA in English  
1423 GMT 4 Jan 92

[Text] Beijing, January 4 (XINHUA)—China's civil aviation overfulfilled 1991's production quotas on the basis of improvement of flight safety and punctuality, a senior official from the Civil Aviation Administration of China (CAAC) said here today.

Addressing a national telephone conference, Jiang Zhuping, director-general of CAAC, added that last year also saw the largest increase in freight volume and passenger transportation over the years.

He said, the total handling capacity of the aviation companies around the country reached 3.2 billion tons last year, up 28 percent over the previous year.

Passenger service amounted to 22 million person-times which represented a rise of 32.5 percent.

At the same time, the aviation companies raised their economic efficiency to some extent and realized a marked growth of profits and taxes.

The director-general pointed out that 1991 was "a rare year of flight safety," saying that there were no serious flight accidents in nearly 400,000 flight hours.

He said the drive to improve flight punctuality and service quality, which started in October, has yielded initial results. The average punctuality rate of all China's international and domestic flights amounted to 86.2 percent during November, 6.2 percent up over the target set by CAAC.

In an effort to further match the economic development, Jiang said, CAAC will continue to beef up its transport capacity and strengthen infrastructure construction this year.

Last year, the aviation companies bought more than 30 planes to add to their transport capacity. Three large airports in Shenzhen, Xianyang and Xining were put into use after their completion. New airport lounges in Guangzhou and Shanghai were finished.

"All this has laid a solid foundation for China's civil aviation to develop further this year," Jiang said.

## AGRICULTURE

### Commerce Ministry Outlines Hog Market Policies

92CE0166A Beijing JINGJI CANKAO BAO in Chinese  
4 Nov 91 p 2

[Article by Mao Chaojing (3029 2600 2417): "Production Grows Steadily, Circulation is Invigorated; China Proposes New Measures for Balancing Hog Supply and Demand"]

[Text] The National Food Products Company Management Conference that recently concluded in Chengdu said that the adoption of new measures to promote stable growth of production and invigorate circulation are fundamental measures to ensure the balance of supply and demand in hog production during the Eighth Five-Year Plan and the next decade.

The balancing of hog production and marketing during the Seventh Five-Year Plan was a great success. In 1990 national hog production inventories, removal from inventories (means slaughtered pigs and pigs moved to other locations) and consumption of pork by one billion urban and rural residents increased 15.7 percent, 29 percent, and 18.9 percent, respectively. It was a period of fastest development of hog production and marketing since the founding of the PRC. In the first half of this year, nationwide hog inventories and hogs removed

from inventories also grew 2.5 percent and 6.6 percent, respectively, over the same period last year. January to August nation-wide hog purchases increased by 7.8 percent over the same period last year, setting another new record.

The supply and demand targets for hogs during the Eighth Five-year Plan and the next decade are: by 1995 a total of 320 million head will be removed from inventory, pork consumption will be 18 kg per capita, increases of 3.8 percent and 8.17 percent, respectively, over 1990; by 2000 a total of 360 million head will be removed from inventories and pork consumption will be 19 kg per capita, increases of 12.5 percent and 5.36 percent, respectively, over 1995.

To achieve the above planning targets, the Nonstaple Food Products Management Bureau of the Ministry of Commerce established three new policy measures:

1. Classify guidance and correctly direct hog production and marketing to promote the sustained, stable and coordinated development of production. The level of hog self-sufficiency of large and medium sized cities should generally stabilize at about 30 percent, with shortages made up by planned shipments from other producing areas. Because for some economically developed areas, the benefits of raising hogs are low, hogs may be supplemented with industry, developing production and gradually reaching self-sufficiency and making adjustments as appropriate. The northeast region, which has sufficient grain but relies on imports for meat, should vigorously develop specialized hog raising, promote on-the-spot transformation and increase the level of self-supply.
2. Actively and safely promote reform of hog prices, and gradually set to rights and readjust hog selling prices to shift from the "dual track system" to the "single track system." This will gradually resolve the upside down situation in hog buying and selling prices and reduce state financial subsidies. Increase the price differential between fresh and frozen pork and increase price differentials in terms of variety, quality, regions, and seasons. Gradually relax the prices of some industries that use meat and meat byproducts. Some government-set prices should still apply to rationed supply to urban residents.
3. Accelerate the creation of a market for hogs and improve the macro-economic regulation and control system. During the Eighth Five-Year Plan we should undertake major new developments in spurring the creation of a Chinese wholesale market in livestock [xugin 3964 4419] products. That is, we should both develop regional wholesale markets for local production and marketing service as well as develop transdistrict regional and national wholesale markets. We should also develop an integrated production and marketing administration, vigorously promote integrated production and marketing that is market-oriented, roulianchang [5131 5114 0617] guided, and based on large-scale hog raising. We should also constantly improve the support service system, stabilize production and marketing relations,

increase effective source of goods and realize the targets of national regulation and control of the market.

### Farm Machinery Industry Prospers

92CE01656B Beijing ZHONGGUO NONGJIHUA BAO  
in Chinese 2 Nov 91 p 1

[Article by reporter Wang Zhong (3076 0022): "Engineering and Farm Machinery Company of the Ministry of Machine-Building and Electronics Industry Announces First Three Quarters of This Year Farm Machinery Industry Production and Marketing Situation Still Good"]

[Text] Farm machinery industry production in the first three quarters of this year is second to none among the civilian machinery industry of the Ministry of Machine-Building and Electronics Industry. Total output of the farm machinery industry is already 22 billion yuan, 96 percent of the annual plan. At a press conference on 19 October, Hao Guimin [6787 6311 3046], Deputy Director of the Ministry of Machine-Building and Electronics Industry's Engineering and Farm Machinery Company, announced that of 16 key farm machinery products in the ministry's overall plan, only the mechanized rice transplanter has not reached the anticipated target. The others all completed the plan, with 10 completing this year's plan early. The large- and medium-horsepower tractors, large and medium-sized combines, and mechanized equipment for plant protection were 152 percent, 144 percent, and 167 percent, respectively, of the same period last year. Agricultural transport vehicle demand increased the fastest, and 54,000 vehicles were completed in the first three quarters of this year, 174 percent of the same period last year.

Exports of farm machinery products increased slightly over the same period last year and may reach \$150-160 million by year's end.

Among the Ministry of Machine-Building and Electronics Industry's industries, only the good production and marketing situation of the automobile industry can compare with that of the farm machinery industry. Furthermore, 98 percent of the small scale tractors with more than 20 billion [yuan] output value, were bought by the peasants with cash, which makes it unlike some farm machinery industries that must rely on state investment.

Farm machinery products have been subjected to market testing for many years and the farm machinery industry implements a policy of production determined by marketing, thus basically there is no problem of product overstock. Though there is very little "triangular debt" in the farm machinery industry, there are problems between some agricultural banks and industrial and commercial banks, but the debt is not that much.

Although Jiangsu and Anhui were struck by natural disasters this year that had an impact on the peasants' purchasing power, and the farm machinery company has had increases in recall expenses, farm machinery production and marketing may equal last year's.

Like enterprises in other industries, farm machinery enterprises also have some problems with declining benefits. Over 600 of the more than 2,500 enterprises nationwide had losses. Naturally, some were losses due to state policy.

### Nov Cereal, Oil, Food Export Figures Released

HK2412143491 Beijing CEI Database in English  
24 Dec 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and foodstuffs in November 1991, released by the General Administration of Customs:

Name	Unit	Nov. 1991	Nov. 1990
Pig	head	233,912	223,438
Poultry	10,000	401	352
Beef	ton	8,094	5,436
Pork	ton	7,635	4,483
Frozen chicken	ton	5,933	4,191
Frozen rabbit	ton	1,549	1,157
Fresh egg	1,000	53,548	64,966
Aquatic products	ton	42,538	42,482
Fish	ton	4,033	3,743
Prawn	ton	11,416	14,503
Cereals	ton	901,579	540,841
Rice	ton	106,834	50,442
Maize	ton	617,504	377,461
Potato	ton	71,685	56,088
Soybean	ton	75,034	39,081
Vegetables	ton	110,853	108,794
Fruit	ton	31,601	30,056
Citrus	ton	6,356	13,848
Apple	ton	14,437	6,929
Sugar	ton	42,433	1,500
Canned food	ton	48,479	42,973
Pork	ton	10,502	3,275
Vegetables	ton	22,779	21,004
Fruit	ton	9,493	9,578
Others	ton	3,905	3,116
Peanut	ton	8,693	23,596
Vegetable oil	ton	4,936	8,279

### Analysis Views Efforts To Harness Huaihe

OW0701081992 Beijing XINHUA in English  
0814 GMT 7 Jan 92

[News Analysis: "Efforts Intensified To Harness Huaihe River"]

[Excerpts] Hefei, January 7 (XINHUA)—China is implementing a 10-year, large-scale plan to tame the Huaihe river, which runs through leading grain producing provinces in east China.

The new plan, which was recently announced by the State Council, calls for the central government to invest more than 12 billion yuan in the next 10 years to build water-control projects along the river to enhance its safety level and resist the most serious floods which may occur in every 30 to 50 years.

The 12 billion yuan allocations from the central government will be divided between the Eighth Five-Year Plan period (1991-95) and the Ninth Five-Year Plan period (1996-2000). At the same time, local governments in Henan, Anhui, Jiangsu and Shandong Provinces will raise 3.4 billion yuan in the Eighth Five-Year Plan period alone. Thus the total amount of investment during the five-year period is roughly equal to the 9.7 billion yuan spent on the river control projects in the area in the previous four decades.

This winter and next spring, the central government will earmark 800 million yuan to construct 36 key projects. By mid-December 20 million local farmers along the river and several million pieces of equipment had been mobilized to push full steam ahead with these projects [passage omitted]

In the river-harnessing drive this winter more machines and advanced technology have been used, according to Yuan. Some 70 percent of the work is done by machines and computer and remote sensing technology has been applied in the design and construction of the projects.

The work force at the river-harnessing site this winter is mainly composed of victims of last summer's floods. They receive payment for their labor as a kind of relief. One farmer can get four yuan for one day of work.

In Shouxian County, 200,000 flood victims are involved in the water-control projects. Some have given up their casual jobs in other places and returned to share the construction responsibility.

The water conservation project along the Huaihe river is also expected to ease water shortages in industrial cities along the river and bring 660,000 hectares more of farmland under irrigation.



# **WENYI BAO on Popular Literature Award**

92CMD118A Beijing WENYI BAO in Chinese  
23 Nov 91 p 6

[Article by Zong He (1350 4421): "Popular Literature Calls for Theoretical Attention—Summary of the Literary Contest and the "Huancheng Publishers Trophy" Awards for Articles on the Theory and Criticism of Popular Literature"]

[Text] On 16 September, the "Huancheng Publishers Trophies for Articles on the Theory and Criticism of Popular Literature" was awarded after a process of over half a year. The competition for the awards had been organized by the WENHUI BAO, CHUANQI GUSHI [SHORT STORIES], and the Huancheng Printing House of Zhengzhou. This was the first competition for awards in the field of theory and criticism of popular literature since the founding of the PRC 42 years ago, and it was also a one-time earnest discussion in a somewhat concentrated manner of the problems of popular literature.

## **I**

What was the purpose of the present writing competition and awarding of trophies? The main purpose was to call for theoretical studies and criticism of popular literature, in order to thereby benefit the healthy development of popular literature.

Since the 1980's, there has been a huge outpouring of popular reading material, much like a "terrifying wave, threatening the shore," it was swamping the whole large market for cultural material. We may very well say that among all reading material, popular literature has the most readers and that it has a tremendous social impact. Undoubtedly, during the last few years, the writing of popular literature has had certain accomplishments to its credit, and a series of very fine literary works have found a hearty welcome among the broad masses of readers. However, there is also no hiding the fact that many worrisome problems have shown up in the development of popular literature, especially under the influence of the flood of bourgeois liberalization and the large tide of commercialization. As a result, there has been in this field a serious tendency to cater to vulgar tastes and to write outright vulgar works. Quite a few works are spreading sex and violence and are spreading decadent feudal and bourgeois mentality and life style, and by now all this has reached unbearable dimensions. Society and the large number of readers have become extremely dissatisfied with this state of affairs. In the face of this bewildering situation, one attitude would be to remain completely indifferent to what is going on and let things freely take their course. That attitude is of course undesirable. Another attitude is to indiscriminately condemn and to blindly reject everything, actually to regard popular literature as seductive material that must not be allowed to "pass the hall into the inner chamber," as the saying goes. No doubt, there is here a certain measure of justified moral indignation, but in the overall purview this attitude is also faulty because it is too simple and too

crude. The correct attitude must be to conduct a scientific and specific analysis of the history and present state of popular literature and to afford its development the necessary active guidance. The guidance to which we refer here must comprise scientific organization and control not only of the contingent of writers of popular literature, but also of periodicals, of publishing units, and of the cultural market. It must also comprise active promotion and supervision of public opinion with regard to popular literature. If we review the last few years, there have indeed been some works of criticism and theoretical study with regard to popular literature, but on the whole and compared to the avalanche of popular literature, theoretical and critical work has been fairly weak. It has still not yet attracted the serious attention of those engaged in literary studies and the large number of those engaged in the theory and criticism of literature and art, some have even gone so far as to regard it as not being a "serious and respectable" topic of literary study. There is a strong contrast between the fervor with which popular literature is being created and the neglect of attending to its theory. The creation of popular literature calls out for attention to its criticism and theory, but criticism and theory is far from satisfying the need of creation and appreciation.

It is precisely from a consideration of the above-stated situation that the sponsoring units considered a one-time competition and the awarding of trophies for articles on theory and criticism of popular literature as timely and necessary. When the proposal was made, it received enthusiastic support from the official agencies in charge of literary and art affairs and from friends in all quarters. Leading comrades in the propaganda department of the Central Committee, the Ministry of Culture, and the State Council's press and publication administration enthusiastically encouraged the sponsoring units, and the leading cultural departments of Henan Province also wholeheartedly supported these activities by their personal attendance. After a period of tense preparations, the solicited articles were finally at the beginning of this year, one after the other, placed before the reader public.

## **II**

The reaction to the present call for articles was very enthusiastic, and within the short period of half a year, a large number of manuscripts were received from all corners of the country. Those who had responded were comrades from all the various fronts, workers, peasants, merchants, scholars, and soldiers; among them were literary theorists and critics, writers, scholars, professors, and editors. There were also many who had taken up writing as a sparetime hobby, and some middle-school students also enthusiastically submitted manuscripts. Out of a total of 300 articles, 71 were selected for publication in WENYI BAO and in CHUANQI BAIJIA. After the deadline for submission of articles, the editors first selected 20 articles, which they recommended to the evaluating committee, and the committee, after careful reading and repeated discussion, decided by ballot on 15 articles as meriting the awards.

Even though the articles that won the awards are not of sufficiently high quality to be called of first rank by their statements on and analysis of theory and in their linkage of theory with reality, they basically reflect the present level of popular literature study in China. They analyzed creation, readers, and social effects of popular literature, or conducted fairly comprehensive and accurate investigations from various angles of the reception of popular literature by readers, or explored the attributes of appreciation and the literary grade of popular literature, or studied the history and future direction of popular literature, or set forth themes and methods for the theoretical study of popular literature, or studied the historical evolution of a particular genre of popular literature, or studied, with much reference material, one particular writer of popular literature and exhaustively evaluated a particular work of popular literature that has had a special impact, or in the light of the reality of contemporary popular literary creation, set forth how to develop and raise the ideological and artistic level of popular literature. The evaluating committee warmly affirmed that the themes of these articles had research value and displayed original views in their analyses and in the persuasiveness of their arguments and that they are a concentrated achievement in the study of popular literature. The sponsoring units accepted the proposals of the evaluating committee and after some editing asked the publishing company to publish them as a monograph.

During the evaluation, the shortcomings of the prize-winning articles was also generally pointed out.

First, to promote a thriving popular literature, it is absolutely necessary to study the present condition. However, with regard to the complex problems that have appeared in contemporary popular literature, it is not only that few devote themselves to these studies, but there is an even greater shortage of those who study the popular literature of mainland China, while the few studies that do exist also lack the macroscopic bird's-eye view over the whole situation from a high commanding position, lack the penetrating, incisive and specific analysis, and also lack a forthright, uninhibited, trenchant and pugnacious style. Writing that engages in generalities, that "skims the surface like dragonflies" and touches on only one specific phenomenon, leaves one with the feeling of insufficient well-directed purpose; such writing does not quench one's thirst.

Second, our literature and art must serve the people and serve socialism. This is what determines the socialist character of our literature and art. If we want our literature to thrive it must not deviate from this paramount demand. Popular literature is an important sector of the literary enterprise. How, then, should this be manifested in general, how should popular literature manifest the fundamental principles of socialist literature, what are the special characteristics of socialist popular literature, and what should its specific esthetic principles and esthetic pursuit be? For these questions of a fundamental nature, there was little special statement

and profound research to be found in all the submitted articles and also in the prize-winning articles.

Third, as to the mass-orientation and popularization of literature, we have to say that we do have something in our fine tradition. Especially in Comrade Mao Zedong's "Talks at the Yanan Forum on Literature and Art" there is in concentrated form a manifestation of the great importance that the party attaches to mass literature and art. After the "Talks" had been published, many writers and artists came to clearly understand the dialectical relation between popularizing and raising quality and enhanced their consciousness as to mass-orientation and popularization of literature. Thereafter, many writers did much in the way of popularizing literature. Zhao Shuli and Lao She wrote and compiled much popular literature of the "shuo shuo chang chang" (recite and sing free and easy) type. This was very effective during the revolutionary struggle of the time and also later in the time of construction, it was indeed a great contribution. We cannot, therefore, overlook the revolutionary tradition in this literature. We must study the products of mass literature that sell well in other countries, we must also study antiquity and whatever there was that came near to contemporary popular literature. "The ten directions make up the whole body." It is absolutely necessary to draw lessons from the successful experiences and good methods that may be of benefit for a flourishing development of our socialist popular literature, but if we forget to study the revolutionary tradition of our own popular literature, it would be forgetting the "root" of our revolutionary popular literature, and forgetting one's own history is like forgetting one's own existence. This kind of a bias is extremely harmful to a flourishing development of popular literature. Because it had been scorned for many years past, even today there are very few people who will take up the study of this almost new field, i.e. the study of China's revolutionary popular literature. This was also felt to be a great deficiency in the present literary competition.

When the evaluating committee pointed out the above shortcomings during their evaluation, they all looked forward to the future and pinned their hopes on the upcoming generation. They also expressed confidence that theorists and critics of literature will soon be able to make up for these shortcomings. May this be as it is, everybody most enthusiastically and wholeheartedly affirmed the practical significance of the present literary competition. Many comrades pointed out that there had been no precedent for the competition in the theory and criticism of popular literature and that the present activity filled a gap of the past. The present competition and awarding of prizes is therefore of a pioneering character. Precisely because it was a first-time event, some deficiencies here or there could not be avoided, but it was after all a gratifying first step. Some comrades expressed that the significance of holding the present literary competition by itself exceeded the significance of selecting and awarding a few pieces of fine writing.

### III

In reviewing the evaluation of the submitted articles, the evaluation committee also spoke out on the present situation and future development of the study of popular literature. Some members of the committee pointed out that our preparations are deficient in two respects: 1) with regard to the "popular literature (ad)" and 2) with regard to the great tide of commercialization. Theoretical and critical articles, of which there are not many, are mostly written randomly by theorists and critics, a fact which greatly diminishes the quality and the persuasiveness of theories and criticism of popular literature. Some members of the evaluating committee, on analyzing the present state of China's popular literature, pointed out three different conditions.

First, some writers of popular literature have a sense of responsibility, have high aspirations, and have the drive. They are determined to contribute to socialist popular literature, and some indeed accomplish some fine pieces of literature, but due to their insufficient ideological and artistic preparation before starting on their work, they appear still very much in need of being given corrective pointers and guidance so as to enhance the quality of their work and to have their work raised to one level higher than it is.

Second, most writers of popular literature, on the one hand, demand of themselves a serious creative attitude, but at times cannot resist the onslaught and temptation of commercialization and frequently end up in a mental state of painful contradictions. Through theoretical analysis, they, too, require a measure of enlightenment, a better understanding, and an affirmation of the correct road to pursue in their work.

Third, the only motive of some writers is to make money. They take on the role of unscrupulous merchants of items of culture, they manufacture spiritual opium and poison our youths. Allowing them to exist is one of the darkest pages of contemporary literary history. Our theoretical criticism must criticize this type of people, must fight them, and must completely expose the features of this scum of the literary scene and as a consequence enhance the conscious opposition of the people against these corrosive and poisonous influences.

For these reasons, it is unthinkable to achieve healthy development of popular literature without effective guidance through theory and criticism. In present literary creation, there is an extremely conspicuous and extremely sharp contradiction between the need for theory and the weakness of the theoretical element, resulting in ineffectual guidance, which in turn is incapable of satisfying the needs of the writers. This contradiction is something that urgently requires resolution. In this sense, the present evaluation and awarding of prizes is extremely timely and has the effect of calling for theory and urging the formation of a contingent of popular literature theorists. Comrade Wang Chaowen [3769 2600 2429], advisor to the present literary competition,

excitedly said this: "Whether you wish it that way or not, all our social life proceeds within ideological struggle. Popular literature must play its tremendously important role in the struggle between the genuine good and beautiful and the ugly and evil sham. It must foster excellent values, excellent concepts, and foster correct judgement of what is right and what is wrong. When we consider how the present literary competition and awarding of prizes spurred on the healthy development of popular literature, the development of popular literary theory and criticism, and also the construction of socialist spiritual civilization, the significance of this activity will in future become even more evident; it cannot possibly be replaced by any other general assessments with awarding of prizes."

The members of the evaluating committee expressed the opinion that the most pressing problem in the development of popular literature is its directional guidance. They hoped that writers will produce more pieces of popular literature with socialist ideological inclination and reflecting the new era and the new personalities of socialism. Some members said there has to be another liberation of our thinking, we must not remain stuck in the old framework of antiquity and of foreign popular literature. Socialist popular literature must have its own new ideology, new themes, and new patterns. How can popular literature merely consist of swordsmen novels, erotica, and detective stories? Why can they not write something like the television series "Ke Wang" (Expectation), reflecting socialist ethics and moral concepts? For a long time now, people have again and again separated popularization from raising quality levels. We admit that there might be a division of labor between popularization and raising quality levels and that popular literature should shoulder more responsibility for popularization, but fine pieces of popular literature can very well achieve popularization along with a higher level of quality, a combination of the "su" (common) and the "ya" (refined) [expressions of classical literary criticism]. Lu Xun once said, in the script of a ballad-singer we can create something worthy of Tolstoy. It is certainly possible to create in popular literature something worthy of Tolstoy. All members of the evaluating committee were unanimous in their hope that the study of popular literature will be made an important item of literary system engineering and without slackening will be firmly emphasized as such for a long period of time. The leadership should take the necessary steps to have that happen, and the public opinion media should give the matter their utmost attention. They also hope that literary theorists and critics will take the high position of dialectical materialism and historical materialism when writing more and better articles that will be of a pioneering nature in the study and guidance of popular literature and thereby make even larger contributions to a flourishing development of socialist popular literature.

#### WENXUE BAO on Status of Prose Literature

92CM0118B Shanghai WENXUE BAO in Chinese  
28 Nov 91 p 4

[Article by Han Xiaohui 17281 1420 5610] "Getting Quite Popular, On Stage and Backstage"]



[Text] A jewel long hidden in the dust-laden inner recesses of the literary palace has now been raised up by the masses and is radiating its endearing sparkle under the beautiful sunshine of blue skies and white clouds—this jewel is prose literature.

### Book After Book Is in Urgent Demand

Last year in late autumn, I went to the reader's service department of the People's Publishing House on Chaohe Street in Beijing. On the shelf for new publications I saw a row of new books: *The Best of Contemporary Prose*, compiled by Ji Dichen [1323 3321 1057] and Cong Peixiang [0654 1014 7449]. The set had about 430,000 characters, was beautifully bound, and its sales price was somewhat over 6 yuan, printed in an edition of over 10,000 volumes. In one week the whole edition was sold out. Finally I asked a friend in the said publishing company to get me a copy. Unexpectedly, my friend, a leading comrade of the company, had to ask all over the place until he located a copy held by the responsible editor, and he told me that this was the last copy they had.

I was then wondering this: How could a collection of prose writings of pure literature sell so well? Could this perhaps be a new trend in the publishing business?

Indeed, soon afterward, I had good news again and again.

The book *Choice of Prose Writings of the 1980's*, compiled by Chen Xianfa [7115 0341 3127], of 360,000 characters and in an edition of 10,000 copies, published by the Shanghai Literature and Art Publishing House, was sold out within only a few months. A second edition of somewhat more than 5,000 copies was also rapidly sold out. The book *Choice of Great Prose of the New Era* of 450,000 characters, compiled by Lian Zhengxiang [1670 2973 4382] and published by the Sichuan Literature and Art Publishing House, was a book that was just published when it was immediately snatched up at the Fourth National Book Fair. Other similar works, such as *Collection of Contemporary Chinese Prose Writers*, compiled by Yuan Ying [5913 7751] and Xie Daguang [6200 1129 0342] and published in 1988 by the Huacheng Publishing House, and *Selection of Prose by Young Writers*, compiled by Xie Daguang and Zhan Shaojuan [6124 1421 1227] and published in 1989 by the China Youth Publishing House, were all printed in not too small editions and have long ago all been sold out.

This was the case with collections of works from different writers, but collections of the writings of individual writers were also much in favor. The collected prose writings of such famous writers as Zhu Ziqing, Lin Yutang, Liang Shiqiu, Yu Dafu, Zhou Zuoren, and Feng Zikai have been selling well, whether sets of thick volumes or thin books of selections. Some even bravely occupied conspicuous places on the tables of street vendors. Displayed on these stalls were also the works of women writers from Taiwan and Hong Kong, such as San Mao [0005 3029], Xi Murong [1598 1970 1369],

Zhang Ailing [1728 1904? 3781], and others. What is particularly gratifying is the news from the recent Beijing Book Festival that the collected works of contemporary prose writers on mainland China, such as Wang Cengqi [3076 2582 4398], Jia Pingao [6328 1627 0425], and others, were also highly welcomed by the reader public, and were quickly snatched up by buyers, a fact that had turned sorrow into happiness for our fellow-writers in the prose writing field and made them sigh in recollection of the past.

All had been slow in reacting, no one had prior knowledge or a premonition, no one had foreseen it: From the second half of 1990 on, prose was a hit on the domestic book market! Although not all red and purple, the temperature of prose literature is continuously going up without any decline up to now.

The sun is smiling on prose literature!

### Publishers Seize the "God-Sent Opportunity"

Nobody can say for certain what all this means. Literary circles and critics were not at all mentally prepared for it and were taken by surprise. Some say that it is the meritorious achievement of the cleanup of pornography, that the cultural mental frame of society has been guided back to the correct track, and that the esthetic appreciation of the masses has been raised. Some say it is the result of a trend in society toward more profound thinking, that after a term of a generally impetuous mentality, eager for quick success and instant benefit, people have calmed down and are again pondering the true values of life. Others again say it has come about as a result of the trends of the times and that people, faced with an ever more complex and fast-changing modern society and perplexed and at a loss for what to do, are naturally turning to the more profound levels of culture and science in search of stability.

But no matter how the scholars may argue, publishers at least will seize this God-sent opportunity, and they are rolling up their sleeves to get to work. Apart from the above-mentioned prose collections, Beijing published *Selections of the Best Artistic Prose, Appreciation of Prose Masterpieces by Writers of Different Schools*, compiled by Liu Xiqing [0491 6932 1987]; Shaanxi published *Selected Prose Masterpieces*, compiled by Zhang Ruoyu [1728 5387 1946], and *Selection of the Best 1,000 Character Pieces of Contemporary Prose*, compiled by Zhang Guojun [1728 0948 0193] and Zhu Hong [2612 7703]. The China Youth Publishing House is now publishing *Collection of Prose Works of Contemporary Young Writers*, compiled by Zhao Risheng [6392 2480 0581] and Cheng Limei [4453 7824 2734]. Heilongjiang is now publishing *Collection of Prose by Women Writers*, compiled by Fan Xiwen [5400 1585 2429]. Nanjing is now publishing *Classified Dictionary of the Most Appreciated Chinese Prose*, compiled by Gao Jianping [7559 3386 1627]. Hunan is now compiling a work of 800,000 characters with the title *Selection of Intimate Prose by Famous Writers*, compiled by Li Yucun [2621 3342].

2625] There is also the *Compendium of Lyric Prose of the New Era*, which is now being rapidly compiled by young scholars in Shandong Province; and I myself am now also compiling a *Self-Selection of Famous Prose Writers of the New Era*... It seems we can really say that the publication of a high-quality prose collection will prove that the concerned publishing house is high quality and top-ranking.

The publishing house that is giving most attention to the publication of prose writings and that has made the greatest contribution in this respect is undoubtedly the Baihua Publishing House. Since it was established in the late 1950's, it has made the publication of prose writings its focal endeavor and has relentlessly maintained this policy for many years. In the present and large tide of prose publishing, they are of course even more active as one of the leading enterprises in this line. At the moment, the said publishing house is compiling a *Library of Chinese Prose Appreciation* of 5.4 million characters, subdivided into three volumes, ancient, modern, and contemporary. This has been called a huge enterprise of monumental proportions. At the same time they also prepare publication of a *Collection of New Taiwan Prose*, *Collection of Overseas Chinese Prose*, *Baihua Collection of Contemporary Prose*, and other works. We are informed that the said publishing house will publish almost 200 titles of contemporary prose during this year and the next.

Another publishing house that has made a memorable contribution to the cause of Chinese prose is the Shanghai Literature and Art Publishing House. Since the start of the new era, the said publishing house has been a most enthusiastic publisher of prose writings. It has started early and has had a great impact, and thus has already left its mark on the pages of history. The said publishing house has published prose collections of 70 individual writers for domestic sale. These 70 collections were not confined to any particular school, style, age group, locality, or faction, and merely the high quality of the writing was considered. It was for this reason that the said publishing house won awards for seven of its books out of a total of ten books that were awarded prizes at the nationwide competition for best prose collections of the new era. The said publishing house has yet another large, systematic project going that is of significance for literary history, namely the *Annual Prose Selections*, which it began publishing at the start of the 1980's. Compilation of the earlier mentioned *Best Prose of the 1980's*, was based on selections from the ten volumes of the *Annual Prose Selections*. Its publication was highly praised, and many university professors even include it among their teaching materials. After entering the 1990's, the said publishing house is engaged in bringing out annual selections for the 1990's, and next year they plan on bringing out a *Collection of Middle-Aged and Young Shanghai Prose Writers*.

Still, the publishing houses must actually be considered as having been slow to move because it is the newspapers and periodicals that are more apt to feel the pulse of

society, and their reaction to prose writing was of course much faster. Many newspapers have promptly adjusted their layout and added a prose literature page to meet the needs of the readers. Among the large-sized periodicals, the SHI YUE [OCTOBER] did a most remarkable job. As soon as they changed their past rule of not printing prose literature and started last year with an additional column for prose literature, they immediately attracted widespread public attention. They not only attracted a large number of top-ranking writers to write for them, but also had one-third of the several tens of articles they had published included in various monographs of prose selections. As to periodicals which exclusively publish prose literature articles, such as SAN WEN [PROSE], SAN WEN BAIJIA [PROSE OF ALL SCHOOLS], SANWEN XUANKAN [PROSE DIGEST], ZHONGWAI SANWEN XUANCUI [SELECTION AND COLLECTION OF CHINESE AND FOREIGN PROSE WRITINGS], they too have actively revised their layouts, enhancing quality and enjoying growing acceptance among the reader public.

It did not happen lightly that the sun began to smile on prose literature. Would there be anyone among those who do work in this field who does not want to live up to this opportunity and who will not exert himself to the utmost?

#### Writers of Prose Literature Ever Unwilling To Be Lonely

Returning to the saying about the sun smiling on prose literature, that state of things has not come about in a short period of time but is the reward for many years of bitter endeavor on the part of the prose writers. Without the efforts of all the prose writers, there would be no articles, and where would the bright market for pieces of prose literature come from?

Prose is historically a lonesome genre, certainly not stirring and agitating or full of glory and splendor as appertains to the novel or to reportage. For a long time past, it was hardly taken seriously by the people, and, needless to say, names of prose writers were little known, and even on the literary stage, it was hardly possible to maintain oneself with prose writing alone. There is no better example than the case of Jia Pingao, of whom almost all knowledgeable people believe that his best work is prose writing, but actually he became known through his novels. Among the 100 articles critically evaluating his work, would there perhaps be one or two articles evaluating his prose writings?

Not long ago, at a conference on Latin-American literature, I saw Lin Jinlan [2651 2443 3482]. In the last few years, Latin-American literature has shown tremendous achievements and is therefore regarded as highly important by the world's literary community. All the great writers of Latin America have also written much prose literature, which views life with wisdom from the great height of humanity as a whole. However, this was not what Lin Jinlan discussed with me; rather, he said with

much emotion that quite a number of young women writers of prose literature with great literary talent have now emerged in China, and though their writing is of considerable quality, they are little known. "People just do not take notice of them." There was an expression of extreme sorrow on Lin's face.

Another person who was much concerned about the group of young women writers of prose literature was Zhang Shouren (1728 1343 0088). He frankly admitted that, according to his observation, the total number of women writers of prose literature in recent years comes close to that of male writers and that the reason for this is that women are more sensitive, more fastidious, more emotional, and more persistent.

It is true, in the last two, three years, a whole new army of women prose writers has emerged on the literary stage of mainland China. There are Su Ye (3683 0673), Tang Min (0781 2404), Si Yu (2448 1184), You Min (5371 2404), Ye Meng (0673 1125), Zhang Linqin (1728 4539 0530), Su Su (4790 4790), and others. Even the famous woman poet Shu Ting (5289 1250) has also joined their ranks. This is a contingent that must not be underestimated. On the whole they were born between 1950 and 1955, and are now around 37, 38 years of age. The years that they have passed brings them close to the age of maturity, which gives them a unique understanding of the world and of life. They cannot hold back their abundant innermost feelings and wish to expose them to the light of day. The ultimate result is article upon article of prose writings filled with sincerity and aspirations and with a powerful forcefulness. Compared with the prose writings of the previous generation of women prose writers, the writings of the contemporary women writers show greater emotional involvement and greater frankness, the thoughts are more daring and more profound, the expression is more straightforward and more courageous. For instance, such writing as Su Ye's "Chariots Rattling and Horses Neighing," Su Yu's "Sudden Recollection," and You Min's "Well-Behaved," all deal with bravery in real human life, the dignity and profundity of knowledge and observation are really most penetrating, and they will shock the reader and make him ponder long after closing the book.

One cannot of course differentiate prose quality according to the sexes and also not judge by ages, less even by the fame of a name. The works that are now being extolled are some by famous Chinese and foreign veteran writers and some by common persons whose names are nowhere recorded. Guo Hua's (6753 7520) "The Women's Well," with observations of the deepest innermost feelings and sentiments and language of loathing for the world and its ways, pours out for society to see the vacillating and aimless dejection of modern women. As soon as it was published, it had an immediate impact on the minds of thousands of readers. This article too was selected for inclusion into a collection. But most people did not know that it was the generation of Guo Hua that produced this piece of prose writing. Of what significance is one piece? As long as it is good, as long as

it is understood, loved, and remembered by the people, one piece of writing may be worth more than a hundred other articles. Also, there are the veteran writers Bing Xin (0393 1800) and Sun Li (1327 3680) who became better and better the more they wrote, until finally every word stands out as a gem. There are also other people who with more activity get more debilitated and more muddle-headed, but the two persons mentioned gained in spirit and clarity with increased activity, they gained greater profundity and understanding and finally greater knowledge and wisdom. Would not writing that originates from this kind of an atmosphere be of a kind that arouses minds all over the world?

The writings of Lin Jinlan also gained in brilliance the more he wrote. His latest works of 1991 were "The Camel" and "The One Who Sang 'Midnight Song'." One described a thing, the other described a person, in every word as well as in between the lines, these works show knowledge and wisdom of life combined with a cultivated literary style. This way of writing, blending intense emotions with temperate narrative, is like a heavy sword without a sharp cutting edge, we might say it is the highest plane that prose writing can attain. In my opinion, we can distinguish three planes in prose writing. The first depends on unique human experiences and writing frankly and with utmost candor about what is on one's mind; this method succeeds by its honesty of sentiments. The second depends on pondering deep thoughts, researching intensely, and writing with great wisdom and intelligence; this method succeeds by its great discernment. The third depends on erudite learning and metaphysical writing; this method succeeds by cultivated refinement of its literary style, but great talent is shown by all. In this sense, many veteran writers, such as Shi Zhecun (2457 5764 1317), Qin Mu (4440 3688), Huang Qiyun (7806 4428 5089), Jin Kemu (6853 0344 2606), Wang Cengqi (3076 2582 4388), Ke Ling (2688 7227), Xiao Qian (5618 0051), Ji Xianlin (1323 5028 2651), Ye Junjian (0673 0689 0256), Feng Zhi (7458 5267), Guo Feng (6753 7364), all have come out with new writings. The precious sword has not worsened with age, it has preserved its sharp edge.

The strongest, most forceful lineup are undoubtedly still the middle-aged group of writers. After many years of solitary endeavors, training and tempering without on any account currying favors with anyone in particular, they grew to maturity and became astute and strong. In his "The Eternal Campus," Xie Mian (6200 0380) relates effeminate beauty of today with vigorous ruggedness seen in history, and he straps the spiritual wings of the era onto the individual's life sentiments and perceptions. In his "A Page From Mother Earth," Lou Zhaoming (2869 5128 2494) roams the wide expanse and profundity of reason and thought, in an attempt to find a clear answer to the ancient and the newly arising world. In his "Strange Thought," He Xianfeng (6320 2556 7364) walks in solitude in the spiritual world and gains a philosopher's understanding, directly gazing at the vast and barren universe and the journey of humanity. In his



"The Pen Rests, But the Mind Cannot Stop Working," Yang Wenyu [2799 9113 1342] uses the spiritual sensitivity of modern man to bring history to life, as he remakes dull and dry historical records into real facts and into a moving picture scroll.

I believe all the above are not merely individual phenomena but, beyond that, present the new scene of China's prose writings. As prose writing has developed to this day, there has definitely been progress; it did gain a small measure of self-realization.

#### **A Speculative Coloring Has Become the Common Trend of Prose Writing**

Cutting a transversal profile will perhaps help us understand what was meant by "a small measure of self-realization."

In April of this year, I attended a research conference on prose writing, sponsored by the SAN WEN magazine. The conference brought together people of three generations: the old, the middle-aged, and the young. There were famous Chinese and foreign veteran prose writers, middle-aged and young writers of impressive talent, and also ordinary sparetime writers of prose. The conference was extremely interesting; basically, it turned out to be an orchestra of the deaf—each playing his own tune.

The veteran writers upheld the principles of traditional prose writing, repeatedly emphasizing true facts and real sentiment, the spirit of the times, reflecting the masses, as also emphasis on main theme, language, artistic conception, and structure. When the young writers took over the microphone, they were excited and indignant in their criticism, and said, since the advent of the new era, the novel, songs, cinema, music, painting, almost all forms of art have taken great strides into modernity, only prose writing has stagnated at the "small bridge and flowing water" of Tang prose and Song rhymes without further progress. This is really a matter of shame for writers of prose literature.

It is a pity that sharp sounds like this are too rare. They are immediately drowned in the stagnant waters of traditional esthetic standards. This also shows up a specialty of prose writing—calm lake and the colors of autumn, undisturbed by exciting events. But the slight ripples are after all full of vitality and will in the end have left undulations among those who are well-inclined.

The large "Red Rose" competition in modern prose writing, sponsored by the TIANJIN WENXUE [TIANJIN LITERATURE] magazine is, we may say, particularly outstanding among the many prose competitions of this year. Its conspicuous contribution is that it advocated a transformation of prose literature from traditional to modern forms. Some of the writings that reflected touching the soul of modern man and assailing his spirit, although in their techniques not yet perfect and mature, were still ranked as worthy of prizes

by the evaluating committee, while some beautiful writings, which in the traditional sense were handsome jobs, were not selected for prizes because they appeared too "worked."

Really, our prose writing must no more chatter and recite the sing-song of "gazing at flowers, under the light of the moon" in the old style and with the old tunes, and it must also not be satisfied looking up at the high mountain of the May Fourth literature. Today, we are already in the nineties of the 20th century, in the face of the high-tech almighty computers, Alice has arrived at a wonderland that is quite different from the past. No more will the noises that strike her mind be Mozart and Beethoven, but they will be the alarming racket of the Rolling Stones. Life itself, as it is experiencing the conflict of tradition and modernity, is more and more occupied with considerations that demand significance in life and that seek a spiritual outlet. The bright point that manifested itself within all the predicaments of an individual's life are actually already refracted and have become the brightness in the social contradictions. Since the fast train of life has already entered the tunnel of the period of transformation, the traditional prose writing of the past, describing landscapes, forms of things, and lyric sentiments, with its extraneous content that is irrelevant to life, cannot shoulder the responsibility of guiding life. Only a method that squarely faces the realities and only ideas that enlighten the mind and intelligence can touch the soul of man, and that is the reason why "speculative" prose is presently welcomed.

Speculative prose, we may say, is the vanguard of Chinese contemporary prose writing. All writers of prose who are truly displaying strength are presently directing their efforts in this direction. As far as the Chinese prose writer is concerned, this is a completely new thing. It does not indulge anymore in political diagrammatical explanations or in pleasing the eye and mind with fine scenery, but pursues an agreement of poetic appreciation of beauty and speculative philosophizing and as a consequence raises prose writing to an eternal, free, altogether new realm. Of course, as far as the Chinese prose writer is concerned, this is again a mountain so much higher than anything comparable in the past. The difficulty of conquering it lies not only in the accomplishments of the writers themselves, but also in the cultural standard and profundity of thinking throughout the entire nation. Strength can only be manifested by stressing accumulation and not output, and China is not a country whose strength is in speculative philosophizing. The nation's thought pattern is by custom one of taking orders from forms and perceptions, and it lacks speculative color. This undoubtedly should stimulate our writers to exert themselves to two or three times greater endeavor.

Cutting a transverse section of 1991 prose writing, we see precisely this fact—life itself has already pushed the two words "human life" to front stage, and prose writing, which had remained unchanged for so many years, is approaching a great irreversible turn in its progression.

The present generation of writers is just now facing a great transformation, whether they will be able to blend into their own creations the ideas of the times has already become the watershed for whether they will be able to catch up or whether they will slide down.

### The Spirit of Transformation of Our Times Is Motivating the Prose Writing of the Nineties

Literature of the new era has made it to this day, prose writing has with difficulties also made it to this day. During all these 13 years since the start of the new era, there have been countless studies and explorations of prose literature and countless ways in which opinions have been expressed on prose literature. For instance:

"Prose writing must have feelings, be short, pithy, and poignant, and must show literary talent and sentiment."

"Prose writing must avoid echoing what others have said, must individually and on its own involve itself in life, and express its own individuality."

These sayings are incisive and accurate, they are truly the fundamental principles of prose writing. Every three steps we should turn our head twice to look back at them and give them frequent attention. However, the same time we must also continuously pay attention to the new questions that arise and establish new standards. When I interviewed several writers, they set forth the following new views:

Lei Da [7(9) 667] pointed out this: Traditional prose had become out of line with the people's psychology of those days, it was unable to survive and has already become debilitated. Prose writing was therefore bound to start on a great transformation. New prose writing must be apt at resolving three problems: First, the integration of epistemology and metaphysics; second, the philosophical reflection that permeates the significance of human life; third, the pursuit of esthetic standards that are as perfect as possible.

Si Yu pointed out this: Whether it is the "three-writers model" of 17 years in the making, or "the writing style of the hundred schools" in modern literary history, they are by now all insufficient models and, moreover, had been unable to well reflect the spiritual world of the men of those days. Prose writers must not again merely rely in their writing on writing skill and sentiment, on dexterity and intuition, and limited life experiences, but must rather read widely, ponder ideas, give attention and study the plight and condition of humanity, so as to enrich daily the abundance, profundity, and keen insight in the body of their creations, only then will their writings be worthy of the increasingly abundant and more complex spirit of these days.

Yang Wenyu pointed out this: The present "emotion expressing" i.e. lyric prose is almost at the end of its rope and has only some little "emotionlessness" to express. Of "emotions," as of moral quality, there are highs and lows, cultured and uncultured. Emotions resulting from experience, knowledge, self-restraint, and involved with

the sorrows and joys of the world are the soul of prose writing. If there are people who go their own way, and each person pursues his own joy, why should we be writing literature about that? This kind of writing will not enrich the world, it will only confuse the youth.

Low Zhaoming pointed out that prose writers should exert themselves in the following directions. They should strive to utilize the most specific impressions, express supra-time-space pitch moves, conspicuously write on the dignity of man, his longings, his rational faculty, his independence, his self-respect. Characteristics of art are the ontological symbols of the world, its surrealistic techniques, and involvement with an imaginary consciousness.

Zhang Shouren pointed out this: Prose writing must depart the "home garden" atmosphere and draw nourishment from the novel and from song, drama, music, painting, construction, philosophy, and even biology. It must continuously enrich its technique of expression. Prose could well stand some "cross fertilization," which would give its products a new artistic vitality, would free prose from its original framework and formulas, and begin the writing that is more free and has more abundant content.

"The great storm has arisen, clouds float in the sky."  
(Quotation from the Chinese classic, the *Sleepy Annals of History*.)

It is my belief that the various new views, expressed in the above, as they embody the spirit of transformation of the times, are "the great storm" that will spur on Chinese prose writing in the nineties.

The blowing storm, the darkened sky, still there is sun with all its might! The stormy winds may sing and sigh, let them lift up to higher height!

### Capability of Political, Law Graduates Surveyed

92CAM00764 Shanghai FAXUE (JURISPRUDENCE)  
in Chinese No 119, 10 Oct 91 pp 13-16

[Article by Li Weirong (6786 3262 2817): "Current Situation in Political and Law Education and Prospective Reform"]

[Excerpt] In recent years, about 20,000 college graduates from political and law schools have entered law enforcement occupations. Take the court system for example, 90,000 graduates took jobs in the system from 1985 to 1991 (accounting for 40 percent of current court staff). The political and professional quality of these graduates, therefore, is crucial to our nation's legal system construction in the next century. To study this problem, we surveyed 564 political and law graduates who graduated after 1983 in four areas of eastern China.

#### 1. Political Stand

In the questionnaire, this refers to stand and attitudes toward insistence on the four basic principles and toward

domestic and international major political events, and aspiration for political promotion in daily life and political participation. The results show that 47 percent of responses gave excellent or fine evaluations to the graduates under investigation. To political and law students, political stand is not only a general ethic requirement, but a question of whether the person is suitable for the occupation. Political qualification becomes particularly important considering the current domestic and international larger environment. Just like a person who is physically unhealthy will get sick, so the "body" of law cannot tolerate infection. In fact, it is not like this. Quite a number of unqualified law graduates are assigned to the law enforcement "body" every year. We cannot help but feel worried.

## 2. Ideology and Ethics

For seven items under this title in the questionnaire, excellent and fine evaluations accounted for more than 30 percent. A general evaluation of all items, however, finds that there exist two major problems. First, for each of the four items of work attitudes, honesty and impartiality, mass line, and plain life style, more than 50 percent of the students were rated "average." Second, over 15 percent of the graduates were evaluated as "negative" for the five items of adherence to principle, democratic work style, mass line, work attitudes, and honesty and impartiality. We organized employer forums to discuss and analyze these two problems. The discussion centered around the following questions. First, the feeling that the graduates recently assigned to their jobs showed a poor sense of discipline, including political discipline, confidentiality awareness, organizational concept, and dress code, were all worse than that of the older generation of staff members. Second, they were less committed to the concept of serving the people. Some graduates thought too much of personal loss and gain, showing a weak sense of self-sacrifice. Third, they lacked principles and impartiality, incorrectly applying the principle of commercial exchange to their work. In addition, they had quite a few problems with mass line and democratic work style as well.

## 3. Psychological Quality

It was learned from the investigation that these new graduates are deficient in psychological training. According to statistics, 14 percent of them display poor psychological qualities, as are exemplified in (1) weak personality, moody temperament with extreme introvert or extrovert tendencies; (2) affective instability, lacking self-control; (3) weak will, showing ambiguous attitudes or stubborn and reckless behavior; (4) reaction is overly sensitive, often showing suspicion and distrust of leadership and colleagues; (5) poor ability to adapt to society and environment, hindering work progress; and (6) poor cognitive reasoning, unable to think independently and find solutions to difficulties.

## 4. Professional Capability

Professional capability includes the graduates' knowledge structure, work adaptability and their actual work ability.

**Knowledge structure.** The majority of units feel that "graduates from political and law schools have extensive professional knowledge, and potential." But their major is subdivided, "some graduates possess only a narrow range of knowledge." For instance, graduates majoring in economic laws are unable to handle marital cases when they are assigned to civil courts. Graduates of international economic laws cannot deal with cases of economic contracts in economic courts, and those in the field of criminal laws are unable to handle cases in courts or law firms. Many other units point out that graduates are poorly informed about criminal and civil policies since the founding of the PRC, and are totally ignorant of some historical cases involving policies. In addition, quite a few graduates lack economic knowledge. This also represents some employers' complaints. They feel that the graduates should learn certain knowledge about industry, commerce, finances, banking, and management. The focus of complaints is on the graduates' poor verbal and written communication skills. Some graduates produce messy written recording during interrogations. They are even unable to write acceptable newsletters and reports in their office work. The above problems of knowledge structure underlie the question of political and law education in its goal of whether to serve justice and legal practice, and the grassroots agencies.

**Work adaptability.** According to an investigation of 43 graduates in Shanghai, 21 percent were able to adapt in the entry period (within six months), 41 percent made it within one to two years, 32 percent adapted in more than two years, and 6 percent failed to achieve the goal for a long time. It is not surprising that there should be an adaptation period between graduation and work, but when about 32 percent of graduates cannot adapt themselves until after two years of work, with some turning out to be total failures, it becomes a noticeable problem.

**Actual work ability.** This refers to the ability to analyze and solve work problems. Huadong Political and Law Institute investigated their graduates in 1983. According to statistics from 92 mailed responses, six graduates were rated as having "strong" actual work ability, accounting for 7 percent, 66 persons were rated "fairly strong," accounting for 71 percent, 20 graduates were evaluated as "average," accounting for 22 percent. A later investigation of 1985 graduates, according to 82 responses, three persons were rated as "strong," accounting for 4 percent, 19 persons "fairly strong," accounting for 23 percent, 52 persons "average," accounting for 63 percent, and eight persons "poor," accounting for 10 percent. The result indicates that the actual work ability of recent law graduates is declining, and in large margins. [passage omitted]



**New Ways of Accepting Bribes Described**

92CM0064A Beijing MINZHU YU FAZHI  
[DEMOCRACY AND LAW] in Chinese No 9,  
12 Sep 91 p 48

[Article by Xu Ronghua (1776 2837 3478): "New Variations and New Features of the Way Briberies Are Presently Being Committed"]

[Excerpt] [passage omitted] **New Variations in the Way Bribery Is Being Committed**

1. Turning bribes into loans as a sham to hide their true character. In recent years, some recipients of bribes tried to evade legal responsibility and modified their methods by adopting the guise of "taking loans." Either verbally or in writing they borrow, so that when the affair comes to light, they insist that the relationship was one of borrowing and lending.

2. Shifting the transaction from front stage to "back-stage" to evade legal responsibility. The recipient of the bribe frequently makes no appearance himself and merely has his relatives out on "front stage," so that once the crime is exposed, he feigns ignorance. They play the trick of "sacrificing a chariot to save the commander-in-chief" (both are pieces in Chinese chess), and shift all blame to the relative in question.

3. Turning secret transactions into open transactions in some clever moves. In the past, donors and recipients of bribes conducted their transactions secretly under the cover of "commissions," "charges for services rendered," or "gratuities," but these could easily be detected and would be prosecuted according to law. They finally adopted another method, namely at weddings, funerals, or other auspicious occasions. In this method they present large sums or material gifts by way of expressing gratitude in return for gifts received, or as congratulatory presents, or gifts on the occasion of birthdays, and in this way they commit the crime of bribery.

4. Giving illegal transactions the appearance of "legal" transactions, concealing the true state from everyone. In the past, as the recipient of the bribe tries to provide the donor of the bribe with a benefit or profit, he would generally have the person in question draw a salary, receive a service fee, or a sales commission, and in this way both sides would commit the bribery. Now, some criminals have adopted a modified new method by receiving in the name of some relative or good friend a salary or any other kind of service fee at the place of the donor of the bribe.

5. Transforming an on-ledger into a non-ledger account under some disguise or camouflage. A few years ago, when some donors had given a bribe, the amount of the money or the value of the goods given would be reflected in the account books. Once the books would be checked, the crime would be brought to light in its entirety. Recently, criminal elements have adopted such methods as payment in advance of delivery and payment of a

security deposit, and have thus transformed an on-ledger account into a nonledger account, and on this basis would then later collect the money and achieve the ultimate purpose of the bribery.

6. Changing from an exchange of power for money to an exchange of power for power. In the past, when the recipient of the bribe had benefited the donor of the bribe, the donor would thank the recipient by paying him money. Now, however, it appears that the powers of office are being exchanged, i.e. an exchange of power for power is taking place, to compensate the other party for an official act, such as changing a household registration, employment of a worker, promotion of a cadre, a reduced tax bill, help in procuring a loan, etc. Between the state's civil servants a cooperative relationship of mutual obligation, though in violation of law, is taking shape, and they thus achieve a separation of direct bribery from direct violation of law.

**New Characteristics That Constitute the Crime of Bribery**

1. The scope of the crime itself has been widened.

1) The range of crime subjects has been broadened. According to past provisions of the criminal law, only one special subject can commit the crime of bribery, namely only the state's civil servant. However, there are now not only civil servants that take bribes, but also personnel in collective economic organizations and other personnel engaged in public services. Apart from these, there are also retired civil servants, spouses of civil servants, and members of their families who can also become bribery crime subjects.

2) A juridical person can also be the subject of the crime of accepting a bribe. In recent years, some juridical persons, government organs and units, taking advantage of the reform and economic invigoration, have arrogated to themselves such legal signboards as "state-operated" and "of the entire people," and are openly committing active and passive bribery, smuggling, speculating and profiteering, wantonly undermining the foundations of socialism and doing harm to the interests of the state and of the people.

2. The object of the crime has also undergone new changes. According to the traditional theories governing China's criminal law, the object of the crime of accepting a bribe has always been the normal operations of government agencies. Now, however, the direct object of the crime of accepting a bribe is not only the normal operation of government agencies, but the crime is also considered encroaching on public and private ownership rights and on the normal development of the national economy. The object of encroachment is therefore a very complex one.

3. In subjective respects, the crime is also displaying a new tricky movement. Some criminal elements now frequently try to conceal their criminal intentions and deny their subjective intentions, pretending that they did

not know, they had no clear idea, they did not handle the matter, and there was no premeditation on their part. When analyzing the intention of the recipient of a bribe, it is therefore necessary, in my opinion, to pay attention to the following several circumstances:

1) If the person in question has accepted a bribe and claims that it was a loan, it is necessary to note whether the contact between donor and recipient of the bribe is in actual fact a kind of bribery; if the parties clearly knew that the purpose was bribery, then intent has to be assumed.

2) If the person in question uses relatives as agents in the bribery, and as long as both sides conduct transactions where the persons involved are well aware of the items of property in question, and the said property is given and accepted, intent of committing bribery must be assumed; if the offender and his relative had planned the bribery beforehand, it shall be considered a case of joint intent.

3) If the person in question engages in an act of bribery by accepting a gift allegedly given for reasons of social courtesy, it is necessary to note the motive, the purpose, the friendly sentiments, the form, conditions, character, and the quantity involved in order to make a specific assessment of the case. If the person who sends the gift has had no family or other good reasons, if there is no friendly sentiment in the relationship, if the value of the gift exceeds normal proportions, and if the persons in question never miss any opportunity for presenting and accepting gifts, in all these cases the intent of bribery must be assumed.

4. New practices with regard to the objective aspects of the crime. When faced with the various new variations in the ways bribes are committed, it is necessary, when determining whether bribery has indeed taken place, to pay particular attention to the fundamental criterion of whether "the special facilities of public office have been utilized."

1) There are mainly three forms in which a civil servant for the benefit and profit of another person directly misuses the powers of office that have been legally bestowed on him: First, when a civil servant personally carries out an act which he is supposed to carry out within the scope of his official duties, but does so merely for the benefit and profit of another person; second, when a civil servant abstains from carrying out the duty he is supposed to carry out in order to provide benefit or profit for another person; third, when a civil servant carries out his duty in an improper way in order to provide benefit or profit for another person.

2) If a civil servant utilizes facilities inherent in his own official duties to provide benefits or profits for another person and to obtain bribes, and when these facilities are inseparably linked to the duties he is charged with, and if he utilizes these facilities to exact bribes and actually gets bribes, it equally encroaches on the normal administrative operations of state organs.

3) If a civil servant exploits the prestige and influence of his own official position to induce another civil servant to utilize the facilities of his office to provide benefits or profits for another person.

4) If a relative of a civil servant utilizes the facilities of office of the officeholder to provide benefits or profits for another person or utilizes the facilities of office of someone acting under coercion from the officeholder, the act of active or passive bribery has been committed.

### Conflicts of Interest Cause Repeated Offenses

92CM0063 Shanghai SHEHUI (SOCIETY) in Chinese  
No 80, 20 Sep 91 pp 26-28

(Article by Jiang Weiren (3068 0251 0086))

(Excerpt) I

In recent years repeat offenders who have been released after serving sentences characteristically commit more crimes if they are unmarried youth, former property crime offenders, or live in urban rather than rural areas. The following new trends also have emerged.

One new trend is the great increase in the number of crimes of property committed by repeat offenders. According to data from a three year period regarding 179 repeat offenders among 823 from a certain district in Shanghai who were released in 1984 after serving their sentences and rehabilitation, the ratio showed that repeat offenses committed by thieves rose from 65.1 percent to 75.2 percent; gambling rose from 1.9 percent to 5.7 percent, and fraud rose from 2.4 percent to 4.0 percent. All other crimes fell. Among 145 previously sentenced repeat offenders, theft accounted for 91 percent, fraud and gambling each for 1.3 percent, and hooliganism for 5.3 percent.

A second new trend is the high repeated offense rate among those released after serving their sentences and rehabilitation who await employment because they did not follow job assignment instructions. There has been a clear increase in the number of those released who await employment because they disobeyed assignment instructions due to unrealistic desires for an employment situation. Data shows that 73.8 percent of 166 released disobeyed instructions. Thus, the repeat offense rate among this group which awaits employment out of disobedience is as high as 61.2 percent.

Complex reasons account for the aforementioned trends. They are closely connected to social, political, economic, cultural and historical factors of a specific time period. These relationships do not occur in isolation. Subjective action on the part of those released after sentencing and rehabilitation is required, relating to their various psychological factors such as needs, consciousness, feelings, and capabilities.

In essence, committing a crime is an act which harms the interests of another person or of society. One who

commits a crime places his interests above those of another person or of society, thereby infringing upon legal customs in such a way that it endangers the interests of another or of society. Therefore, the person is punished and rehabilitated in accordance with the law. Once released after serving a sentence and being rehabilitated, upon returning to society there is a process of adaptation and changes in thinking, psychology and behavior due to changes in the environment and social role and status. During this process, the interests of those released have to be constrained by subjective and objective factors. This often causes them to face more complex and pointed conflicts of interest than others, engendering psychological disequilibrium and mental relapse.

## II

Under socialist conditions, speaking in general terms, although class struggle still exists to a certain extent, society is no longer formed around fundamental diametrically opposed class interests. On the contrary, it is formed of social classes and groups that have identical fundamental interests but different particular interests. Different interests are a main characteristic distinguishing different social classes and groups.

The fundamental social changes and rapid development of a commodity economy since China embarked on a period centered on economic construction, reform and opening to the outside world have not only brought about major changes with regard to the issue of social interests. In addition, they have created great changes in the nature, constitution, characteristics and causes of crime. This fact is manifested at a deeper level of consciousness, not only at the superficial level of remarks such as, crimes are committed "more frequently by the young, and crime is up." The subjective self-consciousness and interests of criminal elements are clearly strengthened during the period of rehabilitation and after they have returned to society. The source of change in social consciousness lies in changes regarding existing in society. With regard to China's economic base, since undertaking reform and opening to the outside world, the development of different forms of ownership such as the individual economy, the cooperative economy, Sino-foreign joint ventures, and fully foreign-invested enterprises has brought with it more paths to win interests and gain employment. There is an economic base to the expansion of social interest diversification and conflict of interest complications. This is a deeper-level factor affecting the lives and thinking of those released after serving their sentences and rehabilitation.

According to data, approximately 20 percent of the aforementioned group engage in individual enterprise. This figure would rise greatly if it included the idle employed, those assigned to work units but who work by fits and starts, or those engaged in unlicensed individual enterprise or farm work. The increased participation in individual enterprise among those released suits their needs (e.g., high income, relatively free, etc.). It also

helps unemployment. According to our survey, two-thirds of criminals and those undergoing labor reform plan to become specialized households after release from sentencing. Affected by objective factors such as hidden unemployment in enterprises during economic readjustment and rectification, it is inevitable that for the present and hereafter, more and more of those released after sentencing and rehabilitation will engage in individual enterprise. The resulting social effects can be said to be both beneficial and harmful.

The individual economy is a component part of the socialist economy. The majority of those released who participate in it are young and strong with a daring attitude. Some are good at business. They play a positive role in developing production and making the lives of the people more convenient. However, the individual economy is characterized by production materials held by individuals. As such, it is spontaneous, blind and fluid. As a result, it often compels those engaged in it to gain profit by any means. Because of factors such as an imperfect control system and rather weak controls, individual entrepreneurs are caught between legality and illegality in their quest for profits. Moreover, there is the rise of the attitude that "those who dare are brave, those who fear go hungry." Some people gain ill-gotten wealth by resorting to bribery, tax evasion or pose inferior things as good things. After they become rich they eat, drink, play and gamble, wantonly squandering their money. In Shanghai, less than 10 percent of the 110,000 licensed industrial and commercial individual (specialized) households are people released after serving sentences and rehabilitation. Statistics show that although the number of this group who commit repeat offenses is lower than those awaiting employment or doing temporary work, they still have a pernicious influence on society. They make the average person believe that it is the "dubious characters" in Chinese society who grow rich. Furthermore, they act as negative models and enticements for others similarly released.

The stimulus of others in the same group easily is often all the more intense and influential. The majority of those released after serving sentences and rehabilitation commit crimes because they dislike work and like leisure, hanker after comfort and are morally weak. Constrained by subjective and objective factors, the world view and outlook on life of some of these people does not really change. A flaw in their subjective consciousness makes them unable to really see society's dark side. On the contrary it brings on imitation: "Everyone has come down from the mountains (referring to the rehab centers). They all eat well and play well, so why cannot I?" Some of those released are unable to fulfill their wish to become rich through individual enterprise because of such factors as poor individual circumstances or cities too full of individual enterprise stalls. They also complain of tiring work for a unit and low wages. Time and again they ignore work introductions made by labor departments or work unit assignments. They would rather idly await employment, sometimes even engaging



in illegal activities like peddling foreign cigarettes, illegal ration transactions or gambling. They become elements disruptive to the social order.

Skillful handling of those released after serving sentences and being rehabilitated plays an important role in preventing and reducing repeat offences. Considering their own interests, some work units are unwilling to accept those released because it is difficult to place people with unrealistic employment demands. This worsens the problem of finding employment. Therefore, resolution of this conflict is constrained by objective factors like society's ability to accommodate them and the level of economic development. It also depends on constraints from their world view and outlook on life as well as how they choose fulfillment.

The released are a complex and diverse group. They have objective, coherent and particular needs. Except for the small number who hanker after hedonism and madly cling to the presumptuous demands of a criminal life, those released do have just demands. These include what they lack (such as a work assignment), historical factors (such as marriage), and material and spiritual needs. These needs are opposed to each other but often inseparable. For example, to a certain extent a work assignment will fulfill material needs. One can also get spiritual fulfillment through "self realization and social acceptance."

At present, one of the crucial conflicts between a personal need and social fulfillment of those released is the issue of marriage. Since criminals tend to be younger, the majority of them face problems regarding love and marriage after returning to society. According to our survey of those released in 1984, 98 percent were less than 35 years of age, 65 percent of which were between 26 and 35 years, the majority were unmarried or divorced. According to a survey by the Shanghai Committee of the Communist Youth League, in 1988 the city's average marriage age was 26.9 years. In 1988 the average annual marriage expenditure among young people was 1,066 yuan due to inflation and high consumption. This is double the amount spent in 1986. During the same period per capita income only rose 35.4 percent. Obviously, one's economic condition and prospects play a critical role in resolving the issue of marriage. Generally speaking, the economic condition of those released is lower than that of others in their age group due to the objective factors of less seniority, lower technical skill levels and less savings. Many even find it hard to get financial help from friends or relatives who disown them or show discrimination. On the other hand, the inferiority complex brought on by a relatively low social status and the pressure of social customs and public opinion often lead many of those released to have extravagant marriages with "several large appliances" so

as to feel comforted and maintain a certain psychological equilibrium. Compelled by fierce material desires, some of those released who are unable to fulfill their ever more pressing needs find it easy to make reckless moves and do something illegal to gain wealth. This is one important reason why there are more repeat offenses of a property nature and the repeated offense rate is higher among those released who are unmarried.

It should be noted that another objective factor behind conflicts of interest in some areas for those released after serving sentences and rehabilitation is that they do not enjoy the legal or policy protection for certain of their just rights as citizens. For example, in some cities because they are criminals or reformed through labor, they lose out in housing allocations. Thus, they generally are not given housing. As a result, after release some have nowhere to go and no place to register their household. As another example, those released who live in rural areas often find their fields have been given to someone else, so they have no fields to work. Such problems often intensify conflicts of interest. They induce those released to turn against society. If handled inappropriately, it is easy for them to become repeat offenders.

### III

In general, repeat offenses on the part of those released follow complex psychological thinking. If we say that the aforementioned objective differences in interests are the breeding grounds for conflicts, then the greater disparity and delineation between rich and poor and the psychological disequilibrium and erroneous thinking which they engender are the catalysts inducing criminal behavior in the new era.

Reform requires smashing the iron rice bowls of income and job assignment. Maintaining appropriate differences in the allocation of interests is beneficial to higher productivity and developing a commodity economy. In recent years, there has been a greater gap between rich and poor because of unequal social distribution while the peoples' standard of living commonly has risen. According to a random sample of 500 households by a Shanghai urban and rural economic survey team, in 1989 per capita income for living expenses was 1,860.36 yuan. Although there was a relatively large gap between high and low income households, the highest and lowest per capita incomes for living expenses were 4,283.76 yuan and 752.4 yuan, respectively, or a difference of 4.7 times. The gap between rich and poor has intensified the peoples' competitive spirit. Many take heed not of the absolute value of the compensation they receive but rather of its relative value compared to that of others. They want it to be higher, not lower. With regard to social interests, this leads to psychological disequilibrium and erroneous thinking. [passage omitted]

**Winter Conscription, Ideological Acceptability**

92P300394

[Editorial Report] Two articles on winter conscription in Tibet which recently appeared in the 8 and 9 November issues of *Lhasa XIZANG RIBAO* in Chinese show continued emphasis on screening physically fit draftees according to their ideological acceptability and warn conscription officials about domestic and foreign threats to the country. One article is a report setting forth the major tasks for winter conscription in Tibet and the other is an interview with Tibet Conscription Leadership Group Deputy Chief Dong Guishan [5516 6311 1472].

**Keep in Mind Threats to Nation and Military From Within and Without**

In terms of a threat to the Chinese nation, the 8 November report warns that the "communist undertaking is facing a severe test" in view of the upheaval in the world situation. The military is tasked with opposing "nibbling away" of China by foreign forces and "splitism" by domestic forces. In terms of a threat to the Chinese military, the report specifies that there are both hostile international forces carrying out undying and varied attempts to subvert the Chinese system through "infiltrating" and "disintegrating" China's military, and domestic hostile forces "dissatisfied with the party and socialism" who advocate a "departified [junduifaidanghua 6311 7130 7236 8093 0553] military"—thus attempting to split the party from the military.

**Weed Out Politically Inappropriate Troops**

In view of the above-mentioned threats, the report emphasizes the "major significance" of thorough conscription work in Tibet to weed out questionable draftees. The report declares that the "fundamental responsibility" of conscription officials is to carefully evaluate draftees' political quality. Strict examination of draftees will ensure that China's armed forces are "politically satisfactory."

The report decrees that this year's conscription in Tibet, although basing itself on standards established in past years, must first of all place political quality of troops "in the foremost position." In the 9 November interview, Dong Guishan confirms that strict political investigation is the "premier issue" in ensuring the quality of new recruits. The "ideological state" of each applicant must be ascertained in order to prevent acceptance of those youth who "supported, sympathized with, or participated in the disturbances" of 1989.

Both the report and the interview introduce the policy of "four clarifications" for political screening of draftees: "clarify political stance," "clarify ideological morality," "clarify social associations," and "clarify good or bad past conduct."

**Deal Decisively With Resistance to Conscription**

According to the 8 November report, although China has experienced "conscription fever" in recent years, in certain localities conscriptioners have had to deal with hard-case draftees. This "conscription difficulty" work includes carrying out "face-to-face education and straightening out" of draftees who fit the qualifications but are unwilling to join, and "strict handling" of draftees who, even after "repeated education and help," still put up serious resistance to joining the military or reserves.

**Army Daily Profiles 2d Artillery Components****Transportation Regiment Introduced**92CM0123A Beijing JIEFANGJUN BAO in Chinese  
5 Nov 91 p 1

[Article by Chen Dechun (7115 1795 2504): "Introduction to 2d Artillery Transportation Regiment"]

[Text] Everything is draped in a veil of mystery. A police vehicle leads the way, giving no warning of its approach, leaving no trace of its passing.

Everything carries the same mark: "Special." Specially built vehicles carry special equipment, leaving their tracks across the width and breadth of the fatherland.

We are speaking of a 2d Artillery special transport regiment—a fierce regiment in a mysterious world.

1. The long train screams like a giant dragon amid the lofty peaks of the fatherland. At every station along the way, the slow trains stop and express trains make way while the Public Security Bureau and the People's Armed Police provide escort. This is an extremely unique express train. Its passengers, crew, cooks, and train inspectors are all officers and men from the rail transport battalion of the special transport regiment. At the moment, they are shipping some strategic military material to its destination.

There is nothing unfamiliar about rail travel, but how many people have done it like the officers and men of the special transport regiment? Every man does many things every day in a space of only 14 square meters. At every station, the train inspectors must inspect the cars. The engineers must start up the diesel engine to generate electricity. Every hour or two a report must be made on the temperature and humidity in the compartments where the special equipment is stored. The only thing you do not get involved in is recreation. The fatigue of travel exacerbates the boredom, which in turn makes the fatigue of travel seem to last that much longer. It is between this Scylla and Charybdis [reference from Homer's *Odyssey*, referring to two navigational hazards at the mouth of the Strait of Messina, between Italy and Sicily. Expression means to be confined to a choice

between two equally dangerous or unattractive situations) that the officers and men of the rail transport battalion pass the days and years.

All is silence, darkness reigns. The mountains, villages, and towns have fallen fast asleep, yet the "night convoy" of the special transport regiment's highway transport battalion roars through the serpentine mountain roads. This is the fourth night on the road for the "night convoy," and these "night owls" are preparing to pass through the misty mountains of Sichuan. The extra-tall, extra-wide, extra-long special transport trucks move slowly along roads in Sichuan as steep as ladders, past Tiger's Mouth, Eagle's Beak Cliff, Devil's Door Pass. Just as they are about to put the last of the hurdles behind them, a one-km-long, 32-degree, ice-covered slope looms ahead. In the pitch dark night, the soldiers use gravel, tree branches, and their own leather jackets to pave the truck's path, enabling it to advance one length at a time over the icy road.

In the 10 years since it was established, the special transport regiment has carried out more than 300 special equipment transport missions, traveling over 1.6 million km in the process.

2. Mastery of the skills required for special transport comes through rigorous training.

It is exactly noon, lunchtime in every company. An emergency order is transmitted from regiment headquarters to every battalion and company. The time—one hour later, the scene—1,000 km away. Men are carrying out their duties in connection with the transport of equipment and material. Lunch comes to a screeching halt. Men are scurrying about, urgently exchanging various things and making preparations. Twenty-one minutes later, all personnel and material are gathered together. This was an emergency drill for the special transport regiment. Similar drills are carried out several times a year throughout the regiment. No wonder the men in the regiment say, "When you're in this regiment, you have to keep an eye open even when you're asleep."

3. A train is moving east. On board, four soldiers are using a kerosine stove to make some noodles. Suddenly the locomotive applies the brakes hard; the stove tips over, the noodles spill on the floor, and the young soldier breaks out crying. You must know that they have gone two full days without eating a warm meal. This is a special single-car assignment. Escorting the car are Qing Zhaoxi and three volunteer soldiers. Only the men of the special transport regiment know how hard it is on a single-car assignment. No one asks what time the cars gets underway or when it will arrive.... It is commonplace for the soldiers on this assignment to go without food or water.

A tall, wide special transport vehicle belching black smoke chugs into Daxian municipality, an important town in Sichuan. He Wenxi, a volunteer soldier serving as acting company commander, eases up on the accelerator. Daxian is where he grew up. His wife, Xiaoyuan,

spent over two months in the hospital a year ago. She has still not fully recovered, and has had to quit her job. How nice it would be to go home and see her! Remembering his special transport assignment, however, He Wenxi just gazes full of emotion toward his hometown.

#### Academy Uses 'Young Instructors'

92CM0123C Beijing JIEFANGJUN BAO in Chinese  
14 Nov 91 p 1

[Article by Cheng Bo (4453 0390) and Zhang Jiajun (1728 1367 6511): "Choosing Research Topics at the Battle Position, Writing Theses In Situ—2d Artillery Engineering Academy Leads Science Personnel Toward Union With Troops, Needs Scientific Research"]

[Text] Scientific research is being carried out at missile sites and articles are being written at launch sites. The 2d Artillery Engineering Academy is encouraging its graduate students and young instructors to serve the need for modernization of the forces by doing scientific research. By so doing, the academy has trained personnel and received the benefits of research at the same time. In the last five years, young instructors and graduate students have undertaken and completed over 100 major research projects, of which 43 have yielded patents or won state or army prizes for scientific and technological progress; over 20 projects have filled gaps in China and are on a par with advanced international standards.

Every year when this academy schedules research projects, it dispatches a number of young instructors to training and launch sites, where they carry out research with an eye to actual conditions. The academy requires that the projects chosen by young instructors as well as the theses written by graduate students be connected with the modernization of the forces. In major research projects, the academy requires that a certain percentage of young instructors and graduate students take part, and the academy gives strong support (in terms of funding, laboratory equipment, and time) to projects in which young instructors and students take part. A young instructor named Yang Junyan used vacation time to visit missile sites where, together with commanders, he discussed ways of eliminating pollutants from missiles. The result was the successful development of the "missile oxidizing agent waste water decontamination vehicle," which won a Military Prize for Scientific and Technological Progress. The "Simulation System for Strategic Missile Technology Training" is a key military research project. The academy organized 200 graduate students and young instructors to take part in the project under the guidance of specialists and professors. The project was finally finished and won a First Class State Prize for Scientific and Technological Progress.

#### Launch Company Commended

92CM0123E Beijing JIEFANGJUN BAO in Chinese  
2 Dec 91 p 1

[Article by Zhang Jiajun (1728 1367 6511) and Chen Dehun (7115 1795 2504): "Graduates Display Skills in



**Gobi Desert—Missile Launch Company Named 'Resolute Fighting Bastion' by Party Branch"]**

[Text] On the vast Gobi Desert there is a mysterious missile unit. In the unit is a missile launch company whose party branch committee is composed entirely of cadres graduated from colleges and universities. This company is named every year by the group army and the 2d Artillery Corps as a grass-roots advanced unit. It has received third class commendations four times for collective merit, and first and second class commendations once each. In mid-November this company's party branch was named a "resolute fighting bastion" by the 2d Artillery Corps.

The launch company was put together six years ago using personnel from seven different units. It is stationed at an altitude of 3,000 meters on the Gobi Desert. The air is thin and the weather severe. The company is responsible for the arduous tasks of launching missiles and training people in the technology. As soon as the group was formed, they set their sights on achieving a first class performance on the high plains. They formulated a goal of building a party branch and a system of party oversight of cadres. Zeroing in on the strategy of "putting down roots in the high plains and setting an example," they spurred construction of the company. Several party branch leaders set the tone by having their families settle out on the high plains. Zhang Guangzhong, the current party branch deputy secretary and company commander, found a wife locally and started a family on the high plains in spite of pressure from relatives and friends. Yang Shidong, the current party branch secretary and political commissar, convinced his wife, who had arranged a job for him in Tianjin, to settle the family on the high plains. The actions of the cadres did much to encourage soldiers throughout the company to settle on the high plains and devote themselves to border defense.

The launch company is responsible for launching strategic missiles, a highly technical task which requires rigorous training. The party branch leadership took advantage of their superior knowledge by leading the entire company in concentrated study of missile technology. On the training fields, company personnel acquired top flight mastery of all facets of the subject. In tests of knowledge of military technology, the seven party branch members have always come out among the

leaders. When Zeng Renyou, a party branch member and platoon commander, had an accident while driving to a launch site last September, he and two soldiers stayed with the vehicle for seven days and nights in order to protect the equipment until others came to rescue them.

The soldiers say that regardless of whether one measures against standards for party members or standards for key party branch cadres, our party branch is high class.

**Lanzhou Military Region Desert Operations Viewed**

92CM0123B Beijing JIEFANGJUN BAO in Chinese  
11 Nov 91 p 2

[Article by Ma Sancheng (7456 0005 2052) and Zhang Yingyin (1728 2019 6892): "Fighting for Survival in the 'Sea of Death'—Regiment Improves Desert Operational Capability"]

[Text] On the morning of 15 August, a cloud of dust rises into the air in the desert around peaceful Ulanbu. A desert combat exercise by a garrison regiment in the Ningxia Military District has gotten under way. Its purpose is to test what it learned in 20 days of desert training. Comrades from the Lanzhou Military Region and from departments at headquarters say that the regiment is highly mobile, and that it has found a good way to improve combat capability in the desert.

This regiment has built upon the desert survival training of the past few years by striking out into the desert this year to work on eight problems, including how to reduce the effect of the desert upon combat movements, maintenance of weapons and equipment in the desert, etc. In rapid marches in the desert, the soldiers at first drank water every half hour, consuming 100 liters of water per day, but within 10 days the soldiers were able to march 30 kilometers per day while cutting daily water consumption to 10 liters per person per day, and very few people suffered from dehydration or fainting. In order to prevent the desert from interfering with communications equipment, they improved the performance of radio communications by opening up the equipment to cool it down, and by verifying frequency. They also used a mask to keep sand away from automobile engines and increased the footprint of tires, thereby keeping vehicles from getting stuck.

### **Authorities To Improve Trade Deficit With Japan**

92CE01504 Hong Kong CHING CHI TAO PAO  
in Chinese No 44, 4 Nov 91 p 30

[Text] A few days ago, Taiwan's "Ministry of Economic Affairs" convened relevant departments to discuss "A Plan of Action To Improve Trade With Japan," and also decided on a specific plan to reduce Japanese imports, and improve the trade deficit with Japan.

### **A Rare Single-Month Record**

In recent years, Taiwan's trade deficit with Japan has greatly increased. According to Taiwan statistics, Taiwan's 1989 trade deficit with Japan reached \$6.9649 billion, double the figure four years ago. Although for some years Japan has made some efforts to respond to Taiwan's demand to reduce the trade deficit, and the Taiwan government has in turn made some efforts, the deficit has never been controlled. In the first four months of last year the deficit was 21.7 percent higher than for the same period the previous year.

In June 1990, Taiwan's "Ministry of Economic Affairs" introduced five key measures to intervene in the import of Japanese goods. Their essential substance was to diversify import sources, expand the Japanese market, impose antidumping tariffs, and so on. In addition, the "Ministry of Economic Affairs," with its attention turned to such issues as Taiwan and Japan's industrial division of labor, fostering economic and cooperative relations with Japan, importing Japanese technology, developing technology-intensive products to sell back to Japan, and strengthening marketing to Japan, drew up an "Outline of a Plan To Strengthen Work Related to Japan," and a plan to improve the structure of trade with Japan. These measures also appear to have had some effect. Last year the total trade deficit with Japan was \$760 million (as published), a 9.13 percent increase over the previous year, and less than the projected 15 percent increase.

But starting this year, the situation has changed again, with Taiwan's trade deficit with Japan totalling \$7 billion in the first nine months, an average annual increase of about 20 percent. In September alone the trade deficit with Japan increased at an annual rate of 65.5 percent, and the trade imbalance with Japan continued to worsen, which caught the attention of the Taiwan government and caused the issue of improving the trade structure to once again be placed on the agenda.

### **A Great Disparity in Industrial Structure**

The huge increase in Taiwan's trade deficit with Japan is mainly due to Taiwan's excessive dependence on Japan. According to disclosures from Taiwan's economic departments, the top 20 products that Taiwan imports from Japan include: nuclear reactors, electronic equipment, ferroalloys, automotive equipment, organic chemicals, optical equipment, raw materials for plastic, shipping equipment, steel, copper and copper products,

dyestuffs, glass or fiberglass, paper and cardboard, feed, aluminum, synthetic fiber products, cutting tools and so forth. Of these, feed is the only item that can be imported elsewhere, and the others depend on Japan.

Meanwhile, among the people of Taiwan there is a deep-seated worship of Japanese products, including most consumer goods and nonessential goods, causing the market to be flooded with Japanese products. Despite the fact that the 10 government-run enterprises under the "Ministry of Economic Affairs" have reached an understanding to resist Japanese goods and are trying resolutely not to buy machinery from Japan, it appears that this has been ineffective.

In fact, Taiwan's financial circles pointed out long ago that the imbalance in trade between Taiwan and Japan is due primarily to the disparity in their industrial structures. Most imports from Japan to Taiwan are expensive machinery and basic components, and the import of this machinery and key components is essential to improving the industrial structure and developing foreign trade. Consequently, the more Taiwan increases its exports, the greater its dependence on Japanese imports, which will lead to a persistently large trade deficit with Japan.

Therefore, if Taiwan wants to fundamentally resolve its trade deficit with Japan, it must change its own production structure, strengthen its technological development capabilities and level of scientific research, manufacture products that meet the needs of Taiwan's domestic market and the Japanese market, actively improve the quality and design of export products, and increase exports to Japan. Only by avoiding dependence on Japan can the trade deficit with Japan be reduced through the diversification of import sources.

Recently, the Taiwan government has apparently decided to change this condition of long-term dependence on Japan, and established an "Action Committee on Improving the Trade Deficit With Japan" under the "Ministry of Economic Affairs." With the "Minister of Economic Affairs" Xiao Wanchang as the presiding member, it convenes representatives from various departments of the "Ministry of Economic Affairs" and from organizations stationed in Japan, corporations, industrial and commercial organizations and the industrial and commercial sector, to advance broad efforts during a five-year period to improve the trade deficit with Japan, and it has consolidated the currently operational "Outline of Work to Strengthen Trade and Economic Relations With Japan," the plan to "Improve the Trade Structure With Japan" and the "Plan To Diversify Import Market Sources" into a single "Action Plan To Improve the Trade Deficit With Japan."

This plan is divided into two parts: the "Plan To Expand the Japanese Market" and the "Plan To Improve the Trade Structure." The plan to expand the Japanese market includes 10 "measures to strengthen marketing to Japan and increase exports to Japan," three measures to "encourage firms to diversify import sources" and

five measures on training personnel. The key points are: sponsor various exhibitions in Japan to promote the purchase of Taiwan goods by various Japanese industrial and commercial groups and enterprises; helping related trade associations to establish maintenance centers in Japan to carry out service after sales; using major purchasing plans to strengthen technology transfer and increase exports to Japan; strengthening enforcement of regulations that restrict government-run organizations and government-run enterprises to accepting bids only from Europe and North America; and strengthening inspection of unfair imports of Japanese goods.

The plans to improve the trade structure include five measures to improve quality, three measures to establish independent technology and three measures to build key components. The main points are: the industrial bureau's choice of 66 key components and products as the initial targets; giving priority to helping factories that export to Japan to improve the quality of their products; choosing 10 closely interconnected components that Taiwan imports from Japan in large quantities and that have high value-added cost for the initial program to attract Japanese businesses to invest in Taiwan.

#### Avoiding Dependence on Japan

In recent years, Taiwan has actually done quite a lot of work to expand the Japanese market, particularly this year, when economic contacts between Taiwan and Japan became more frequent, and reached new breakthroughs in form and scope. First, some banks opened offices or branches in each other's countries. Among these was the Bank of Tokyo, which became the first Japanese bank to open in Taiwan in 31 years. Similarly, Taiwan's Zhonghua Bank and a few other banks began doing business in Tokyo. Second, Japan and Taiwan organized an exchange of visiting economic delegations and economic and trade delegations. Taiwan also sent a large exhibition delegation to participate in an international trade exhibition held in Tokyo in April. The purpose of these contacts, from Taiwan's point of view, is to promote development of investment by Japanese businesses in Taiwan, to strengthen the two-way flow of technology, and expand the amount and range of purchases from Taiwan by Japanese businesses.

These activities will no doubt yield some results in reducing Taiwan's trade deficit with Japan, but the fundamental problem is avoiding dependence on Japan. To achieve this goal, Taiwan must build itself up, increase investment in technological research and development, reduce the disparity in capabilities between Taiwan and Japan in technological research and development, and strive to raise the level of its products. Everything else will fail to get at the root of the problem.

#### Authorities Urge Developing Aerospace Industry

92CE0150B Hong Kong CHING CHI TAO PAO  
in Chinese No 42, 21 Oct 91 p 30

[Text] This year, to regain its competitive dominance in traditional products, bolster its domestic economic strength, expand its influence abroad and join the ranks of advanced countries, Taiwan is implementing a strategy to develop its aerospace industry, and accelerate its entry into the fields of aviation and aerospace.

#### Organization and Planning

In 1988, the industrial bureau of Taiwan's "Ministry of Economic Affairs" officially established a small group on the aerospace industry. After two years of research, planning and preparation, they issued a very ambitious "Aerospace Industry Development Strategy." The plan was intended to rapidly develop Taiwan's aerospace industry, and to strive for a leap in the areas of output value and exports. Among the objectives is an increase in aerospace industry output value from \$630 million in 1990 to \$6 billion in the year 2000, and an increase in export volume from \$94.5 million in 1990 to \$3.3 billion at the end of this century, an increase of about 10 times and 50 times respectively. During that period, Taiwan's share of the world aerospace market will increase from the present 0.1 percent to 1.5 percent.

Meanwhile, in June of last year the Taixiang Aerospace Industry Manufacturing Company began operation and took on the task of consolidating the satellite industry as set forth in the "Six-Year National Construction Plan." This company has "joint state-private ownership," with 19 shareholders, including the government-run Zhonghua Iron and Steel Company and the Taisu Group, Taiwan's largest private consortium. By the end of 1992, the company's total capital will reach 100 billion NT (\$370 million), of which government shares will represent 39 percent and private shares 61 percent. At the same time, the company will become Taiwan's largest aerospace and aviation enterprise, as well as the base and "window" in Taiwan for international aerospace enterprises.

#### A Number of Key Follow-up Measures

To speed up the development of the aerospace industry, Taiwan has adopted a number of active follow-up measures. One, allocating a large amount of funding to ensure full-speed advancement. According to disclosures from concerned parties in Taiwan, the Taiwan government will allocate a huge investment of 6 billion NT (\$220 million) each year to develop aerospace technology. Of this huge sum, 2 billion NT will go primarily to planning and establishing an aerospace test center and 4 billion NT will be used for training personnel and purchasing equipment.

Two, expanding the industrial structure, and establishing special aerospace zones. Taiwan currently has only 200 privately-owned factories that manufacture



aviation parts. To adapt to new requirements, Taiwan plans to roughly quadruple this number before the end of the 1990s, increasing the number to 600 to 900 factories, and bring in advanced manufacturing technology from abroad, with the goal of being able to manufacture parts for the Boeing Company, McDonnell Douglas and other foreign aviation companies. Also, Taiwan's "Ministry of Communications" and the Taixiang Aerospace Company are separately planning to establish special aerospace zones in the vicinity of Zhongzheng Airport, the Haipu tidal flats in the Taizhong harbor area, and other places to attract aerospace firms to concentrate their factories there. They are also completing comprehensive plans to make Taoyuan a maintenance center, and Taizhong a manufacturing center.

Three, implementing long-range plans and recruiting a large pool of talent. To meet demands of the rapidly developing domestic aerospace industry, the Taixiang Aerospace Company has decided that within four years it will recruit more than 1,000 specialized technicians, and it has projected that within 10 years it will have more than 2,000 specialized personnel. In addition to specialized aerospace personnel, it will recruit large numbers of specialists in fields related to manufacturing and electronics. Fifty percent of those will be graduates of technical colleges and technical high schools, and some will be experienced technical personnel from overseas. The "National Science Council" and the Institute of Industrial Technology have also jointly established a data bank on overseas talent, and are collecting material on overseas talent from a wide range of sources.

Four, providing tax breaks, and encouraging civilian participation. According to Taiwan newspapers, Taiwan's "Ministry of Economic Affairs," to solve the funding problem, is on the one hand motivating civilian enterprises to cooperatively develop the aerospace industry. On the other hand, the government, under the direction of the "Ministry of National Defense," is using existing military industrial technology, personnel and equipment to help civilian enterprises raise the level of their specialized technology. In addition, in accordance with the factories' strengths and developmental direction, it is providing tax incentives and facilitating capital consolidation to encourage and motivate firms to invest in aerospace research and development, and engage in international competition. The specific strategy includes the following four aspects: 1. In terms of product strategy, transferring the manufacture of parts developed by Taiwan's "Sun Yat-sen Science Institute" and the Industrial Research Institute, which meet the requirements of the international market, over to the civilian side, thereby shifting military products to civilian manufacture. 2. In terms of technological strategy, adopting industrial cooperation, technology transfer, personnel

training and other measures to quickly raise the level of civilian technology. 3. In terms of research and development strategy, guiding civilian enterprises to participate in major research and development projects and cooperatively develop new products. 4. In terms of market strategy, encouraging small and medium civilian enterprises to accept orders from overseas for aerospace products and organizing firms to participate in international exhibitions, and cooperatively expand international markets.

#### **A Long-Range Plan for Development of Aerospace Science and Technology**

As part of the effort to aggressively advance the aerospace industry, Taiwan's "Executive Yuan" on 7 August passed the 15-year plan for aerospace development put forward by the "National Science Council," which allocates an estimated 1.36 billion NT for the production of three science and technology satellites over the sixth, 10th and 14th years, respectively, which will be launched by other countries. According to reports, this plan supersedes Taiwan's previous five-year plan, which called for 1 billion NT for two small, domestically-launched satellites. There are four major objectives: 1. To develop all the organizations and technology required by the "National Aerospace Plan." 2. To train the personnel required by the aerospace plan. 3. To produce three small satellites and establish a technological foundation for design, analysis, integration, testing and operations. 4. To establish a receiving station for a resource monitoring satellite.

To implement this plan efficiently, Taiwan's "Executive Yuan" has determined a clear organizational system, in which the "National Leading Small Group on Aerospace Science and Technology" will be responsible for policy direction; the "National Science Council" will be responsible for administrative supervision; and the Aerospace Planning Office will be responsible for overseeing the entire plan. Under this office will be four units: the systems development department, the component development department, the research and development department and the operations department. According to estimates, after the conclusion of this long-range plan, Taiwan will have the capabilities of satellite ground reception, satellite operation, design, testing, and production of testing equipment, and will have established a foundation for research and development in aerospace science and technology.

The development of Taiwan's aerospace industry undoubtedly has profound political and economic causes. It is projected that as the island's industrial transformation becomes clearer, and the demands of the international market continue to grow, both the speed and scope of the aerospace industry's development will increase rather than decrease, and will continue to look up.

### 'White Terror' Remembered

92CM00814 Taipei HSIEN HSIEN WEN [THE JOURNALIST] in Chinese No 240, 20 Oct 91 pp 51-53

[Article by Weng Wen-ching: "Exclusive Overseas Interview With Violinist Hu Nai-yuan's Parents Hu Hsin-lin and Li Pi-chu on Their Imprisonment Many Years Ago"]

[Text] On 10 October, violinist Hu Nai-yuan, shutting between concert halls all over the world, gave an outdoor performance in front of the Basics Building of the Medical School of Taiwan University for the members of the 100 Action Alliance who were engaged in an sit-in, thereby supporting, with music, the effort to abolish Article 100 of the Penal Code. Before that event, perhaps few people would think of Hu Nai-yuan, who left Taiwan to study in the United States at the age of 11, and whose father spent 10 years on Huoshao Island due to political persecution.

Hu Nai-yuan's mother Li Pi-chu, who lives in the Toyoshima District of Tokyo, said that they seldom talk to Hu Nai-yuan about his father's, Hu Hsin-lin, imprisonment due to political persecution, and that there are many things which Nai-yuan does not know. Nevertheless, it seems that this family wound is an unforgettable shadow over the oldest child of the Hu family.

Discussing the persecution suffered in the 1950s, Li Pi-chu laments, "This was an injustice." Hu Hsin-lin also laments, "That was an era when law existed, but seemed there was no law." When the Hsu Ch'iang case erupted in 1950, four people including the then director of Internal Medicine Hsu Ch'iang, and then director of the Ophthalmology Department Hu Hsin-lin of the Medical School of Taiwan University were arrested. On that day, while engaged in a discussion meeting, Hsu Ch'iang and Hu Hsin-lin were called out of the meeting, and immediately arrested. An associate professor of internal medicine Weng Ting-chun, who was also on the list of people to be arrested, was not arrested that day because he had returned to his hometown for some reason. According to a source, after that incident Weng Ting-chun turned himself in and was therefore found not guilty. Related to that same case, two assistant professors Hu Pao-chen and Shu You-p'eng were also arrested.

Why were they arrested? Hu Hsin-lin says that he still does not understand today. The convictions were for the crime of preparing to carry out a domestic rebellion, but there was not a single piece of evidence. In the interrogation of Hu Hsin-lin after his arrest, the interrogator had prepared a confession and asked Hu Hsin-lin to sign. However, after the arrest, Hu Hsin-lin had his glasses and other personal belongings taken away from him. He demanded that he be able to clearly read the confession, but was told: "You don't have to read it, just sign it."

Just because of this signature, Hu Hsin-lin spent 10 years of the prime of his life on Huoshao Island, and Hsu Ch'iang was executed. Hu Hsin-lin says, "At that time,

they could sentence you as long as they wanted, as if there were no law." What impressed Hu Hsin-lin the most during his time at Huoshao Island was what the non-Taiwanese fellow prisoners told him: "China's law is a living thing, and is beyond the imagination of you one-track minded people."

In fact, even before the 28 February Incident, Hu Hsin-lin was detained for offending powerful figures. At that time, an active Taiwanese Wang Min-ning worked at the Garrison Command, and had the rank of major general. When coming to the Taiwan University Hospital for medical care, he insisted on being given care ahead of others, but nurses refused the demand, the two sides began to argue, resulting in a noisy row amidst a stalemate. Hu Hsin-lin came out and said: "Go out and fight if you want, but don't fight in here." This action caused great displeasure on the part of Wang Min-ning.

Wang Min-ning was also typical of those Taiwanese in the early period, who went to the mainland for study and came back with the National Government to occupy a key post in Taiwan. At the time of the establishment of the Garrison Command of Taiwan, he was the adjutant general. Some time around the 28 February Incident, he became director of the Police Affairs Department. Naturally, Hu Hsin-lin would unavoidably suffer misfortunes by offending a person favored in the circles of power. Then president of the Taiwan University Hospital Tu Ts'ung-ming accompanied Hu Hsin-lin to the Garrison Command to reason and explain. But Wang Min-ning was abusive: "The hospital has become a knowledge-selling store." "Can't a customer find the merchandise undesirable?" Some at the Garrison Command asked Dr. Tu Ts'ung-ming to leave first, indicating that they would handle the matter. Tu Ts'ung-ming believed them and left first. But Hu Hsin-lin was detained for three or four days.

Hsu Ch'iang, the leading figure of the Hsu Ch'iang case, was a classmate of the academician Li Chen-yuan. He had also offended powerful figures. As Hu Hsin-lin remembers, a patient involved in a dispute over medical treatment received was a person of rather high position who died a few days after being hospitalized for a headache. At that time Hsu Ch'iang published a long article in a newspaper to explain that the medical treatment was not inappropriate. This action may have some relation to the fact that Hsu Ch'iang was framed later on.

In 1938-39, the Medical School of Taiwan University received much criticism. The Supervisory Yuan conducted an investigation, and the hospital also set up a medical improvement committee, of which Hu Hsin-lin and Hsu Ch'iang were both members, with Hsu Ch'iang playing the most important role. It is very likely that this committee was the cause of Hsu and Hu's misery. After his arrest, an interrogator once summoned Hu Hsin-lin for questioning, and holding a list of the members of the committee, asked Hu Hsin-lin about the background of these people.

Under the situation of not knowing of what crime he was guilty, Hu Hsin-lin was sent to Huoshao Island. Recalling the circumstances of that time, Hu Hsin-lin says in an agitated voice: It was really terrifying. During that era, being branded a rebel was as terrifying as acquiring the black death AIDS today. Li Pi-chun still says with anger that the day after Hu Hsin-lin's arrest, Taiwan University Hospital immediately stopped paying salaries, and that she was driven out of her house, a gift from a friend, by Taiwan University for the purpose of recovering it and using it as a dormitory.

Hu Hsin-lin says that when he read Chen Ying-chen's novel *Mountain Path* he felt sad and funny at the description of how the heroin Ts'ai Ch'ien-hui still went to the home of a person who had been executed for political reasons. After Hu Hsin-lin's arrest, relatives and friends would keep as great a distance as possible. Neighbors regarded him as vicious as a viper and would shun him. All those who entered the Hu home were watched carefully. Fortunately, at that time, Li Chen-yuan's mother took home Li Pi-chu and the two young daughters, and helped them.

What Hu Hsin-lin remembers the most clearly during his sentence on Huoshao Island is when he went to Taitung to seek medical care, people on the streets of Taitung knew his crime by his uniform, were utterly terrified, and would keep a great distance from him. Even the doctors in the hospital were very tense while examining him as if he had a serious infectious disease.

After serving his 10-year sentence, Hu Hsin-lin returned to Tainan to resume his profession, and opened a hospital. But politically based dark clouds could loom large at any time. When Hu Nai-yuan was 13, he won a prize for the first time in the United States, the Hu family in Tainan underwent one more episode of undeserved misfortune, which moved the Hu Hsin-lin couple later to leave this perilous land and go abroad.

In 1976, the Hu family moved from Hsien Street to a new home on Ch'ingnien Street. At that time, his neighbor had not finished building his home. There was a wall at the front door of the Hu hospital. Some children would write graffiti on the wall. Because the wall was ugly, Li Pi-chun criticized the nurses, and said you watch the children playing here and making graffiti, but you don't chase them out and clean the wall. The nurses immediately proceeded to clean the wall. Since the graffiti was made with crayon, it was very difficult to erase. Therefore, the nurses used alcohol to clean the wall, leaving some traces in the end. Afterwards Li Pi-chun went to the United States to visit Hu Nai-yuan, never thinking that the graffiti on the wall would cause trouble.

One day, Hu Hsin-lin, who stayed in Taiwan, heard noise in the hospital. He went downstairs, and to his surprise saw police all around the front door, they asked Hu Hsin-lin who made the the design O on the wall. Hu Hsin-lin was totally confused at the time, wondering why

the whole thing was so serious. He told the police that it was nothing more than graffiti made by children in the neighborhood. The police were not satisfied with the answer. A stalemate developed and there was no way to conclude the matter. In the end, the police left and only the police officer for the district stayed behind.

Hu Hsin-lin could not understand why the design O made the police so sensitive, and asked the police officer. The police officer told him that it was the symbol for Taiwan independence, and O together with the character "tai," thus symbolized a "bamboo hat" (pronounced "li" which means independence in Taiwanese), as well as resembling the character "tai" in the word Taiwan. The police officer also told Hu Hsin-lin: "I know that you did not do it. But since it was on the wall of your home, you have to find out who did it." Afterwards, there were intelligence and security personnel on surveillance in front of and behind Hu Hsin-lin's hospital.

According to a source, in fact after the nurses cleaned it, the graffiti on the wall could not be seen unless you paid great attention. But the intelligence and security units became even more suspicious because of that, and secretly summoned the nurses for questioning, and asked whether it was Dr. Hu who asked them to clean it. The nurses all indicated that it was Mrs. Hu who gave the instruction before going abroad. This case was shelved in the end because there was no way to further investigate. But the members of the Hu family became frustrated at such harassment, and at the situation in Taiwan.

In 1976, much to the astonishment of the police officer for the district, Hu Hsin-lin was permitted to leave the country for the United States. At the time, all the Hu children had already gone to the United States, but Mrs. Hu could not obtain an exit visa. On several occasions, documents certifying a daughter's pregnancy were produced, but in the end it took asking a legislator to exercise pressure to make the journey possible. Afterwards, Hu Nai-yuan and her sisters were all of the opinion that their parents should not return to Taiwan to put up with such absurd things. As a result, Hu Hsin-lin went from the United States to Japan in 1977 to set up a permanent residence, saying goodbye to heart-breaking Taiwan.

Looking back at the sad episodes of that past period, Hu Hsin-lin and Li Pi-chu are still angry. Hu Hsin-lin says with resignation: My life was spared and I was lucky enough compared with those who never came back. Hu Hsin-lin indicates that he has left Taiwan for many years, and therefore is not very conversant with the situation in Taiwan. But Hu Hsin-lin still argues that if the constitution is to protect people's freedom of speech, then law should not be abused. Hu Hsin-lin is of the view that what happened to him and many other families in the era of the White Terror should never happen again.

Li Pi-chu says that her brother Li Chen-yuan is seldom concerned with politics. It must have been the extreme viciousness of such a law that has made him this way.



With regard to the trap on freedom of speech in Article 100 of the Penal Code, Li Chen-yuan, who came out to join the effort to abolish the law, as well Hu Nai-yuan, who supported the effort with music because of his father's misery, or the Hu Hsin-lin couple who would rather live in Japan must have deeply felt those ineradicable shadows. This episode in the history of the Hu family may be one of the more fortunate of the similar episodes involving the tens of thousands of families persecuted during the era of the White Terror, and their feeling regarding support for the effort to abolish Article 100 of the Penal Code is understandable.

### Hong Kong Imports Increase Sharply

OW1301145592 Taipei CNA in English 1413 GMT  
13 Jan 92

[Text] Hong Kong, Jan. 13 (CNA)—Hong Kong's imports from Taiwan in the first 11 months of 1991 totaled HK\$67,124 million (US\$8,627 million), up a whopping 26 percent from a year earlier, according to government statistics released Monday.

Taiwan was the third largest source of Hong Kong's imports during the 11-month period, next to mainland China and Japan.

During the same period, Hong Kong exported HK\$5,486 million (US\$705 million) worth of local goods to Taiwan, up four percent from 1990. Taiwan was the sixth largest market for Hong Kong's domestic exports.

Hong Kong's re-exports to Taiwan rose by 15 percent to HK\$22,412 million (US\$2,880 million) in the 11 months, making Taiwan the fifth major market for Hong Kong's re-exports.

The value of Hong Kong's total merchandise trade period was HK\$1,393,108 million (US\$179,062 million), 19 percent higher than that of the corresponding period of 1990.

### Gold Trade To Be Deregulated Within 2 Months

OW1301092192 Taipei CNA in English 0802 GMT  
13 Jan 92

[Text] Taipei, Jan. 13 (CNA)—Gold trade will be deregulated within the next two months, a high-ranking finance official reported Sunday.

The cabinet has tentatively agreed to lift a four-decade-old ban on the export of gold and to allow free transaction of the precious metal on the island, said Chen Mu-tsai, director of the finance ministry's monetary bureau.

"After the deregulation, gold will become a general commodity and can be freely traded here," Chen explained. "And the government will rein in gold trade, particularly its export, only when the country faces serious crises."

The government currently permits the import of gold through the state-run Central Trust of China and several other financial institutions but strictly forbids gold exports and private bullion trade.

The Finance Ministry first proposed to deregulate gold trade more than one year ago, and after long consideration the cabinet has finally agreed to the proposal, Chen reported.

As soon as the cabinet gives its formal approval, Chen said, current restrictions on gold exports and domestic trade will be revoked.

"The long-awaited liberalization will be realized within one month at the earliest and in two months at the latest," Chen stated confidently.

The deregulation is in line with the governmental policy of economic liberalization and internationalization, other senior finance officials noted. It also aims to win more international support for Taipei's bid to join the General Agreement on Tariffs and Trade, they added.

With the liberalization, the officials said, local banks will be allowed to operate gold accounts for individuals and to offer gold deposit services.

Local gold prices will also hereafter fluctuate in tandem with world market trends, the officials predicted.

The Finance Ministry will move to establish an open market to facilitate gold trade and will encourage private companies to set up an authoritative gold quality assessment center in order to better protect consumers, the officials said.

Traditionally, Chinese people have a taste for gold. Despite the government ban, illegal gold trade has been rampant here and Taiwan has ranked among the world's top gold importers. Finance Ministry tallies show that private gold imports reached 37 million ounces during the period from early 1975 to March 1991. The imports were worth some 365 billion NT [New Taiwan] dollars, accounting for about 4 percent of total national savings for the period, according to the ministry's estimate.

Market sources predicted that Taiwan's gold imports may increase sharply after the deregulation of gold trade and the precious metal will become a new investment tool here. In the past, gold could not be easily converted into cash and most people usually store their gold holdings either at home or in bank-operated safes.

The Central Bank of China reportedly has 13.5 million ounces of gold reserves worth more than five billion U.S. dollars at the end of 1991.

**Southern Port Building Deep-Sea Fishing Base**

*OW1301090592 Taipei CNA in English 0808 GMT  
13 Jan 92*

[Text] Taipei, Jan. 13 (CNA)—Taiwan's first fishing base for deep-sea fishery will be completed in September at Anping, Tainan in southern Taiwan.

Carrying a price tag of two billion NT dlr (new Taiwan dollars) (78 million U.S. dlr), the fishing port will be able to accommodate 200 boats of 2,000-ton class.

The fishing port will be equipped with convenient public facilities. A fish market will be developed there.

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